CERTIFICATE.

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, [redacted] 1911

No. [redacted] 20

SIDNEY HENRY ET AL.

vs.

A. B. DICK COMPANY.

ON A CERTIFICATE FROM THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

FILED MARCH 10, 1909.

(21,557.)

(21,557.)

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1910.

No. 175.

SIDNEY HENRY ET AL.

vs.

A. B. DICK COMPANY.

ON A CERTIFICATE FROM THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

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JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., AUGUST 12, 1910.

United States Circuit Court of Appeals for the Second Circuit.

A. B. DICK COMPANY, Complainant-Appellee,
vs.
SIDNEY HENRY et al., Defendant-Appellant.

Before Coxe, Ward, and Noyes, Circuit Judges.

This cause comes here on appeal from a decree of the Circuit Court or the Southern District of New York holding Letters Patent No. 46,931 and No. 749,983, owned by the complainant, valid and infringed by the defendants. After hearing this court agreed as to ll the questions except one only upon which it desires the instruction f the Supreme Court for the proper decision.

Statement of Facts.

This action was brought by the complainant, an Illinois corporaon, for the infringement of two letters patent owned by the comlainant covering a stencil-duplicating machine known as the Rotary Mimeograph." The defendants are doing business as copartners in the City of New York. The complainants sold to one hristina B. Skou of New York a Rotary Mimeograph embodying he invention described and claimed in said patents under license hich was attached to said machine as follows:—

License Restriction.

This machine is sold by the A. B. Dick Co. with the license reriction that it may be used only with the stencil paper, ink and her supplies
Made by A. B. Dick Company, Chicago, U. S. A.

The defendant Sidney Henry sold to Miss Skou a can of ink suitable for use upon said Mimeograph with knowledge f the said license agreement and with the expectation that it would e used in connection with said Mimeograph. The ink sold to Miss kou was not covered by the claims of said patents.

The Circuit Court granted a decree in favor of the complainant for n accounting of profits and damages and for an injunction restrainng the defendants from infringing upon the said letters patent and rom directly or indirectly procuring or attempting to procure, ducing or attempting to induce or causing any breach or violation f the covenant, condition or obligation now existing or which may ereafter exist on the part of vendees or licensees of said patented and stricted rotary mimeographs to the complainant by reason of the

license restrictions hereinbefore set out and particularly from directly or indirectly making or causing to be made, selling or causing to be sold, or offering or causing to be offered, to any person or concern whatsoever, any supplies adapted for use or capable of being used on said patented or restricted rotary mimeographs with design or intent that the same shall be so used in violation of such license restriction; from directly or indirectly persuading or inducing such persons or concerns to purchase any such supplies not of the complainant's manufacture and sale, designed or adapted for use in such machines for use thereon in violation of such license; from advertising or causing to be advertised in any manner any supplies intended or designed for use in the said rotary mimeographs in violation of such license; from publishing or causing to be published any offer, promise or inducement designed or intended to procure licensees or vendees of the said patented and restricted rotary mimeographs to use or purchase for use in such machine supplies not of the manufacture of the complainant in violation of such license, and from doing and performing any and all other acts or things designed or intended to persuade or induce said licensees or vendees to violate the condition or covenant binding upon them with respect to the use of said rotary mimeograph and from in any way further interfering with the business of the said complainant of marketing said machines and supplies therefor under license restriction limiting such machines to use only in conjunction with supplies made by or procured from said complainant. //

3 *Question Certified.*

Upon the facts above set forth the question concerning which this court desires the instruction of the Supreme Court is:

Did the acts of the defendants constitute contributory infringement of the complainant's patents?

In accordance with the provisions of Section 6 of the Act of March 31, 1891, the foregoing question of law is, by the Circuit Court of Appeals for the Second Circuit, hereby certified to the Supreme Court.

New York, March 16th, 1909.

ALFRED C. COXE,
H. G. WARD,
WALTER C. NOYES,
Circuit Judges.

UNITED STATES OF AMERICA.
Southern District of New York:

I, William Parkin, Clerk of the United States Circuit Court of Appeals for the Second Circuit,

Do hereby certify that the foregoing certificate was filed and entered of record in my office on the 16th day of March, 1909, and

by direction of the Judges of said Court the same is forwarded by me to the Supreme Court of the United States.

Dated, New York, March 16th, 1909.

[Seal United States Circuit Court of Appeals, Second Circuit.]

WM. PARKIN,
Clerk of the United States Circuit Court of Appeals for the Second Circuit.

4 [Endorsed:] United States Circuit Court of Appeals, Second Circuit. A. B. Dick Company against Sidney Henry et al. Certificate. United States Circuit Court of Appeals, Second Circuit. Filed Mar. 18, 1909. William Parkin, Clerk.

Endorsed on cover: File No. 21,557. U. S. Circuit Court Appeals, 2d Circuit. Term No. 175. Sidney Henry et al. vs. A. B. Dick Company. (Certificate.) Filed March 19th, 1909. File No. 21,557.

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APR 28 1911
JAMES H. McKENNEY,
Clerk

Supreme Court of the United States,

OCTOBER TERM, [redacted]

No. 80

SIDNEY HENRY ET AL.,
Defendants-Appellants,

vs.

A. B. DICK COMPANY,
Complainant-Appellee.

Brief on Behalf of Defendants-Appellants.

ARTHUR v. BRIESEN,
Of Counsel for Appellants.

[redacted]

Supreme Court of the United States,

OCTOBER TERM, 1910.

SIDNEY HENRY *et al.*, Defendants, Appellants, vs. A. B. DICK COMPANY, Complainant, Appellee.	No. 175.

ON A CERTIFICATE FROM THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

BRIEF ON BEHALF OF APPELLANTS.

BY MR. ARTHUR V. BRIESEN.

This cause comes here on a question certified by the United States Circuit Court of Appeals for the Second Circuit, the question being whether the acts of the defendants, described in the Certificate of the Court, constitute contributory infringement of the complainant's patents. The suit is brought for the infringement of two patents owned by complainant covering a stencil duplicating machine known as the "Rotary Mimeograph." According to the language of the certificate, the defendant Sidney Henry sold to Miss Skou a can of ink, suitable for use upon said Mimeograph which she had bought of the complainant under a license attached to the machine set

forth in the Certificate, with knowledge of said license agreement and with the expectation that it would be used in connection with said Mimeograph. The ink sold to Miss Skou was not covered by the claims of said patents.

The license attached to the machine reads as follows:

> "*License Restriction.*
>
> This machine is sold by the A. B. Dick Co. with the license restriction that it may be used only with the stencil paper, ink and other supplies
>
> Made by A. B. Dick Company, Chicago, U. S. A."

The Circuit Court in its decree, of which a portion is contained in the Certificate, had enjoined the defendants from making or causing to be made, selling or offering to any person or concern whatsoever, any supplies adapted for use *or capable of being used* on said patented or restricted mimeograph with design or intent that the same shall be so used in violation of such license restriction; from persuading or inducing such persons or concerns to purchase any such supplies not of complainant's manufacture and sale, designed or *adapted* for use in such machines, for use thereon in violation of such license; from advertising or causing to be advertised in any manner any supplies intended or designed for use in said rotary mimeographs in violation of such license; from publishing or causing to be published any offer, promise or inducement designed or intended to procure licensees or vendees of said patented and restricted rotary mimeographs to use or purchase for use in such machines supplies not of the manufacture of complainants, etc.

We will in this brief seek to establish the following propositions:

That the ink sold by defendants is an ordinary commodity which defendants had the right to make and to sell in the open market.

That the patentee of ink, stencil paper or the like, adapted to use on the mimeograph, cannot lawfully, after the expiration of patents for such supplies, maintain a patent monopoly by so-called license restrictions on machines embodying subordinate mechanical improvements covered by later patents.

That the owner of a subordinate improvement on a machine, the fundamental patent on which had been enjoyed by him, and had expired, cannot be heard to claim that ordinary supplies or commodities used on said machine involve, when used, an infringement of later patents.

That when Miss Skou bought the can of ink from the defendant Henry, she did not act as a contributory infringer of any patent. Hence the person who sold her the ink did not become a contributory infringer of any patent.

That the so-called license restriction referred to in the certificate is therefore the *only* foundation for any claim presented on the part of the complainant.

That the facts submitted show that there was not an infringement of patents, but at most a step concerning the so-called license restriction.

That the "license restriction," so-called, is not a valid contract on its face, and is, moreover, a contract made in violation of the Sherman Act.

That the question submitted by the Court below should be answered in the negative.

Argument.

The question is: "Did the acts of the defendants constitute contributory infringement of the complainant's patents?"

In this question the term "acts" is used in the plural. The statement of facts, however, seems to refer to but a single act, namely, the sale of a can of ink to Miss Skou. The purchase of this can of ink was not induced by the defendant Henry, but he expected that it would be used in connection with

the machine. Therefore, the facts are not as stated by this Court in Angle *vs.* Chicago, St. Paul, etc., Railway, 151 U. S. 1, 13, where the following language is used:

151 U. S. 1, 13.

> "if one *maliciously interferes** in a contract between two parties, and *induces* one of them to break that contract to the injury of the other, the party injured can maintain an action against the wrongdoer."

Nor did Miss Skou *use* that can of ink on any machine or on any rotary mimeograph. This proves that Miss Skou was not guilty of contributory infringement of the patents, and it is quite an interesting question, therefore, whether there can be contributory infringement of patents on a machine by parties selling a can of ink to a party who does not use it. True, the certificate states that Henry "expected" that the ink would be used in connection with said mimeograph, but expectations do not, as yet, amount to infringement. Hence, in the absence of any unlawful act on the part of Miss Skou, unlawful with reference to said patents, it does not appear that the defendants in selling that can of ink committed an act of infringement of the patents. Moreover, we are not dealing in this case with a naked allegation of *infringement* of a patent, since the question submitted refers only to what is understood to be "*contributory*" infringement. In other words, taking the language of the Angle case, *supra*, one does not contribute to an infringement unless he succeeds in bringing about an infringement. There may be such a thing as threatened infringement, and there may be such a thing as threatened contributory infringement of a patent, but one cannot contribute to something without that something utilizing the contribution against the interests of the complainants in a patent suit. We are satisfied that Henry in selling that can of ink did not contribute to any infringement of the patents on the part of Miss Skou or on the part of anybody else.

* Italics throughout this brief ours.

Were it not for the so-called license agreement, therefore, which the Court below states was attached to the rotary mimeograph owned by Miss Skou, there could have been no cause of action against Henry for selling that can of ink. The cause of action is claimed to arise under the license to Miss Skou, which reads as follows:

> "License Restriction.
>
> This machine is sold by the A. B. Dick Co., with the license restriction that it may be used only with the stencil paper, ink and other supplies *Made* by A. B. Dick Company, Chicago, U. S. A."

It will be observed at the outset that the foregoing notice is in all substantial respects like the license notice quoted in this Court's opinion in Cortelyou *vs.* Johnson, 207 U. S. 196, the only differences between the two notices being, that one mentions the Neostyle Co. where the other mentions A. B. Dick Co., and that the Cortelyou notice uses the word "can" where the Dick notice uses the word "may," the Cortelyou notice saying "that it *can* be used only," the Dick notice saying "that it *may* be used only." It will also be observed that this so called license restriction is not connected with any allegation or notice to the effect that the machine to which it was applied was patented. It was, of course, perfectly competent for Miss Skou to enter into an agreement with A. B. Dick Co. *not to use the machine whether it was patented or not* for other than specific purposes. (See *Fowle* vs. *Park*, 131 U. S. 88, 97; *Oregon Co.* vs. *Winsor*, 20 Wall. 64; *Meyer* vs. *Estes*, 164 Mass. 457; *Crystal Ice Co.* vs. *Brewing Ass'n.*, 8 Texas App. C. 1; *Pierce* vs *Woodward*, 6 Pick. 206; *Palmer* vs. *Stebbins*, 3 Pick. 188.) And it may be assumed that any one who maliciously interferes with such a contract and induces one of the parties to break that contract to the injury of the other may commit a tort, for which suit may be brought. Such a suit

207 U. S. 196.

131 U. S. 88, 97.
20 Wallace 64.
164 Mass. 457.
8 Texas App. C. 1.
6 Pick. 206.
3 Pick. 188.

might even be brought in the United States Court, provided the Court has jurisdiction because of diversity of citizenship. But such a malicious interference with the rights of others under a contract stands on its own feet, and the offending party may be enjoined from further malicious interference with contractual relations had he done so at one time or had he threatened to do so at any time. It would seem to follow that if Henry had maliciously induced Miss Skou to buy that can of ink and use it to the detriment of A. B. Dick Co. and in violation of her contract with A. B. Dick Co. he might have been brought under the *dictum of this Court in the Angle case*, *supra*, irrespective of any Patents.

But the suit is based wholly on contributory infringement of patents and *not* upon malicious interference with a contract, and as Miss Skou was neither guilty of infringing upon the patent nor of violating the license agreement, Henry, the defendant, did nothing in either case under either aspect of the situation to injure the complainant.

Another aspect of the case seems to be worthy of consideration. Assuming that Miss Skou had used the ink she bought of Henry on the rotary mimeograph, would she have been guilty of contributory infringement of the *patents* in suit? The machine was hers. She had paid for it, and she would, had she used it in the manner stated, have used the machine without thereby contributing to any infringement of said patent. She would have perhaps broken her agreement. But that is not the question. Would she have contributed to any infringement of Patent? If the agreement or license restriction had not been on the machine and Miss Skou had used that ink bought of Henry, she would surely not have been guilty of contributory infringement. Had she used that can of ink, however, in violation of the license restriction she would have been guilty of a breach of the license restriction. Could such a breach be termed contributory infringement of Patent? The theory that one who

contributes that to another which converts him into a contributory infringer is himself a contributory infringer of a patent is new, but hardly arises in this cause, because Miss Skou has not been a contributory infringer. Hence Henry could not have been.

The theory upon which this suit is founded appears to us to be fraught with considerable danger if sustained. We assume the Court knows that the mimeograph is a species of printing machine, that it produces on blank sheets of paper, which are fed to it, printed matter just like any ordinary printing press has blank paper fed to it and turns it out as printed sheets. If every subordinate bit of an improvement secured by Letters Patent should authorize the owner of the printing press to make an agreement, by notices such as those here presented, with the purchasers of his machine, which should be binding upon others, the paper industry of the country would quickly be monopolized under patents which do not apply to paper, as the patent in suit does not apply to ink, but which would prohibit these printing presses from being used with paper except that made by a Trust. We realize that the Linotype machines on which most of the newspapers in this country are printed and all of which were once covered by fundamental Letters Patent are continuously improved by further inventions. We can realize therefore that such a license restriction, if valid, would apply not only for the term of 17 years but for an indefinite length of time so long as the machine or some parts of it may be "patented." The question of public policy involved is therefore one which the Court is asked to consider. A manufacturer of wall paper may secure some patent either on its construction or on its design and by license restriction provide that this paper shall not be applied to a wall except with paste bought of, say A. B. Dick Co. The Armour Packing Co. whose business it is to deal in meats, may secure patents

on forks and sell them under restriction that these patented forks shall not be used except with meat of animals slaughtered by Armour Packing Co.

One having a patent for a desk-lock may require that the desk he sells shall not be varnished except with varnish sold by, say, A. B. Dick Co.

A manufacturer of a fountain pen on which some slight feature is covered by patent may require that the same shall not be used with ink, paper or other supplies except those made by, say, A. B. Dick Co.

Prior adjudications relating to the mimeograph, to the ink and stencil paper for same.

From decisions in litigated cases which refer to the mimeograph, to the process of operating it and to rights for stencil paper and ink pertaining thereto, the Court will find the following facts to be established:

In the action brought by Thomas A. Edison, Robert Gilliland and A. B. Dick Co. against A. D. Klaber, Judge Coxe in the Circuit Court for the Southern District of New York considered a claim in Patent 180,857 of August 8, 1876, granted to Thomas A. Edison. In the opinion published in Vol. 38, Fed. Rep. p. 744, the second claim of said patent is stated to be as follows:

38 Fed. Rep. 744.

> "*The method herein described of printing in permanent semi-fluid ink, by puncturing a sheet of paper or similar material with numerous small holes, filling such holes with a semi-liquid ink, and pressing the same upon the surface to be printed, substantially as set forth.*"

This claim was in that opinion held to have been anticipated by sundry prior patents. At any rate on the expiration of the said patent of 1876, assuming the patent to have been perfectly valid, the method there in described became public property, and any one

having an apparatus, in which semi-fluid ink was passed through a punctured sheet upon the surface to be printed was free to do so, and any one had a right therefore to sell the ink after 1893, after said patent expired, to all people practising that invention.

The next suit is that entitled *Edison et al.* vs. *Hardie* and *the Same* vs. *Pomeroy Duplicator Co. et al.*, the opinion in which, rendered by Judge Acheson, is reported in Vol. 68, Fed. Rep. page 487, in which the Edison Patent 224,665 of February 17, 1880, for *making* the stencil sheets for mimeographs was involved. This is the patent to which His Honor Judge Coxe, in the Klaber suit, 38 Fed. Rep. 745, refers in the following language: 68 Fed. Rep. 487.

"*Mr. Edison himself recognized the superior advantages in simplicity and cheapness of the latter method, and in 1880 procured a patent in which the stencil is formed by writing with a blunt stylus upon a slab containing numerous fine perforating points. The electric pen has been superseded by the 'Mimeograph.'*"

Therefore, on the expiration of the 1880 patent of Mr. Edison, every person had the right to make the mimeograph, supply it with ink and paper and print therefrom according to the method previously described in Edison's 1876 patent. It is a fact which will not be denied that in the suit against Hardie, A. B. Dick Co. was a party complainant. We find, therefore, that on the expiration of the 1876 patent, to wit, in 1893, the Edison method of producing impressions with the aid of a perforated stencil and semi-liquid ink became public property, and that on the expiration of the Edison patent of 1880, to wit, in 1897, the employment of a perforated stencil sheet such as that described and claimed by Mr. Edison likewise became public property.

But the A. B. Dick Co. obtained a further patent, now also expired, for a particular construction or

kind of stencil paper for the mimeograph, to wit, a patent granted to one Broderick on February 7, 1888, No. 377,706, and brought numerous suits, most of them successfully, under that patent. Thus, in *A. B. Dick Co.* vs. *Fuerth*, reported in Vol. 57 Fed. Rep. page 834, Judge Green of the Circuit Court of New Jersey had this Broderick patent before him for adjudication and specifies on page 835 the claims of said patent of which we might, for the benefit of the Court at this place, quote the 3rd claim, which is in words as follows:

57 Fed. Rep. 834.

> "3. A prepared sheet for stencils, consisting of a sheet of Japanese dental paper, or yoshino, coated with a substance impervious to ink, substantially as described."

His Honor, Judge Green, goes carefully into a description and consideration of the invention of this Broderick patent and sustains it as valid against the infringers. Therefore, on the expiration of this patent (in 1905), the public acquired the right to make and use these stencil papers. As Judge Wheeler states in a subsequent opinion in *A. B. Dick Co.* vs. *Wichelman*, 74 Fed. Rep. p. 799-801, the decree in the former case of Dick *vs.* Fuerth was vacated as collusive, but nevertheless the reasoning of Judge Green was adhered to.

74 Fed. Rep. 799.

Hence *A. B. Dick Co.* vs. *Wichelman*, once more establishes the validity of the Broderick patent and enjoins the infringer.

In the next case *A. B. Dick Co.* vs. *Henry*, 75 Fed. Rep. 388, this Broderick patent 377,706 was considered by Judge Townsend and again sustained.

75 Fed. Rep. 388.

Thereupon the question of the Broderick patent came before the Circuit Court of Appeals for the Second Circuit in the case of *Wichelman* vs. *A. B. Dick Co.*, reported 88 Fed. Rep. 264. The Court here was composed of Judges Wallace, Lacombe and Shipman, and in its opinion it fully sustains the validity of said Broderick patent.

88 Fed. Rep. 264.

In a later case *A. B. Dick Co. against Wichelman*, 105 Fed. Rep. 629, the present complainant sought to sustain another, later, patent for stencil duplicating sheet but was defeated on the ground that the Broderick patent fully anticipated it. 105 Fed. Rep. 629.

A. B. Dick Co. also secured a patent for the ink, namely, patent 437,588 of September 30, 1890, and brought suit against *Belke & Wagner Co.* for infringement of that patent. The decision in this case will be found in 86 Fed. Rep. p. 149. Judge Grosscup writing the opinion states that the patent in question produces an ink which, appearing to the printer in a state of jelly like consistency, is rendered limpid by friction, and avoids the tendency to adhesiveness characteristic of ordinary printer's ink, and he also states that the purpose of the patentee was to produce an ink adaptable to the needs of stencil printing and that such an ink must necessarily be different in some respect from ordinary printer's ink, and sustained that patent. On its expiration, in 1907, that ink became public property and every one has a right to make, sell and use it. 86 Fed. Rep. 149.

An effort was made by the complainant in

A. B. Dick Co. vs. *Roper*,

reported in 126 Fed. Rep. p. 966, to restrain the defendant from selling ink to a person who had what was known as an "Oscillating Mimeograph". The date of the patent under which this suit was brought is not given in the opinion, which simply states that the complainant alleges that it is the owner of patents upon a duplicating or copying machine known as the "Oscillating Mimeograph," and that each of said machines has a notice thereon in these words: 126 Fed. Rep. 966.

> "This machine is sold by the A. B. Dick Co. with the license restriction that it can be used only with stencil, ink, and other supplies made by A. B. Dick Co., Chicago."

The cause was heard on motion for preliminary injunction by Judge Brown in the Circuit Court for the District of Rhode Island. In its opinion the Court says:

> "The proven fact in this case is simply that a machine bearing this label was in the hands of certain persons, and that the defendant sold ink to be used on that machine. As the existence of an actual license is necessary in order to bring the defendant within this peculiar doctrine of contributory infringement, it must be held that there is no sufficient proof of any actual infringement. The complainant argues, however, that, even if an actual infringement be not proved, nevertheless the facts are such as to afford evidence of threats to infringe. I cannot agree to this view. The circumstances show that the sale was not solicited by Roper, but that he was solicited to make the sale. He expressly denies having made sales of ink for use on any other oscillating mimeograph. While it appears that Roper asked one of the witnesses for the names of any persons or concerns using duplicating ink, in order that he might solicit them to buy ink, yet, as the use of duplicating ink is *not confined to oscillating mimeographs*, this request is altogether too uncertain evidence of any intent on the defendant's part to solicit or induce users of that machine to violate *license restrictions*. The utmost that can be said in favor of the complainant is that it has proved that Roper, upon request, was willing to sell ink for use upon a particular machine, and that, if it had been licensed, he would have been willing to violate the license. This is neither proof of infringement nor of a threat to infringe. While it is quite true that a patentee is justified in inducing sales in order to secure evidence to stop infringers, yet cases to this effect afford no support to the present petition, since in such cases there is proof of an actual violation of a legal right, while in the present case there is only proof that, if the complainant had had a legal right, the defendant probably would have violated it. This is insufficient to move a court of equity to affirmative action."

Finally we beg to remind this Court of its opinion in

Cortelyou et al. vs. *Johnson et al.*,

207 U. S. p. 196, where questions somewhat similar to those involved in this litigation were considered. There were patents for the so-called rotary "Neostyle" machines, which the Court describes as stencil duplicating machines. There was a license agreement substantially like the license agreement in this case. Reference was made to the opinion of the three judges of the Circuit Court of Appeals, on the sufficiency of a notice and to the facts that the majority of those judges were of the opinion "that the doctrine of contributory infringement, which they conceded to exist, should not be extended beyond those articles which are either parts of a patented combination or device, or which are produced for the sole purpose of being so used, and should not be applied to the staple articles of commerce. In that view of the case the article supplied being ink, a thing of common use, its sale to a purchaser of the Neostyle machine would be no infringement." This Honorable Court, in its opinion in the Cortelyou case also states that it is unnecessary to determine whether the Angle *vs.* Chicago doctrine states the full measure of liability resting upon a party interfering and inducing the breaking of a contract.

207 U. S. 196.

The Court will, therefore, find itself confronted by the following facts:

Broad patents for the duplicating machine have expired. Patents for the necessary stencil paper used on such machines have expired. The term "Mimeograph" has become a common term in the English language after the expiration of the fundamental patents. Thus the Century Dictionary, carefully compounded by the late Richard Watson Gilder, says in its edition, copyrighted 1899 (the Court will observe that this was after the expiration of the Edison patent of 1880), as follows:

> "Mimeograph, n. (irreg. Gr. mimeomai imitate—grapho write). An apparatus invented

> by Edison by which stencils of written pages may be obtained for the production of an indefinite number of copies. A pointed stylus is moved as in writing with a lead pencil over a kind of tough prepared paper placed on a finely grooved steel plate, and the writing is thus traced in a series of minute perforations. *Stencils may also be prepared on typewriters.*"

In a supplemental edition copyrighted in 1909 the word "mimeograph" as a verb is also defined as follows:

> "Mimeograph, v. t. To multiply (copies of a writing or document) by means of a mimeograph; manifold by the use of a mimeograph."

The Standard Dictionary, Edition of 1905, defines the word as follows:

> "Mimeograph, n. An apparatus in which thin fibrous paper coated with paraffin is used as a stencil for producing copies of written, printed or typewritten matter. The impression of the pen or type spreads the paraffin and makes a porous spot (the shape of the impressed letter or character) through which the ink may pass in printing. (Gr. mimeomai, mimic-graph)."

Nevertheless the complainant on the last days of 1903 and in the early part of 1904 obtained the patents in suit, copies of which are attached to this brief. The Court in analyzing or reading these patents, which are public records, and which we make bold to believe may be inspected at this stage, can find that they both refer to a mere detail of a movable stop for fixing the position of the paper, on which the changes are rung in the various claims of both patents, and it is because the complainant owns these patents on these small details built upon a monopoly previously enjoyed by it under the Edison, the Broderick, the Fuerth and

other patents for machinery, stencil paper and ink, that it makes bold to assume that it still has the right to claim that the sale of ink on the part of any person who expects that ink to be used on a machine having such a stop pin for defining the position or location of the sheet of paper, constitutes an *infringement* of these latest patents.

If Miss Skou had used the ink she bought of defendant on the machine containing the statement thereon that she should not do so, she would have violated the agreement, assuming the same to be valid. But if Miss Skou had not used and never intended to use said ink on said machine, neither her purchase nor the defendant's sale of that ink amounted to a violation of the agreement or of the patents.

So far as that license agreement is concerned, it may under the circumstances of this case be examined also *without* reference to any patent covering any part or portion of that machine. If one maliciously interferes in a contract between two parties and "*induces*" one of them to break that contract to the injury of the other, the party injured can maintain an action against the wrongdoer. *Angle* vs. *Chicago etc. Railway*, 151 U. S. pp. 1, 13. This dictum applies, whether there is a patent, or whether there is not a patent, or whether a patent had expired. It is a question of contract pure and simple. Any two persons may agree in similar fashion regarding any article of manufacture or regarding real estate, namely, the purchaser agreeing that he will not use the thing purchased, or the land purchased, for purposes other than those particularly specified, and any one maliciously interfering and inducing the purchaser to violate that agreement commits a wrong against the seller, for which he may be proceeded against. But such a proceeding would be under the *contract* and would be cognizable in the United States Court, if there were diversity of citizenship and the Court thereby acquired jurisdiction, the statutory amount in con-

151 U. S. 1, 13.

troversy being involved. But the present case is based wholly upon infringement of patents and must fall if no infringement of patents was in fact committed. The patents in suit do not, either directly or indirectly, claim the use of ink with regard to the construction secured by their claims. Therefore, if it were not for the supposed license restriction, it will be admitted that there can have been no infringement of these patents. The Certificate so admits. It appears to follow that on the patents alone without the contract this suit could not have been sustained because of entire non-infringement. Hence, both documents, the patents and the contract, are relied upon as authorizing a suit on both, for contributory infringement of the Patent. It is equally clear that even when both the contract and the patents are united and read together, a breach of the contract does not make *that* a contributory infringement of a patent which in itself is not an infringement of the patent. The contract does not change the patent. The contract or license agreement is something agreed upon *aliunde* the patents. The Constitution of the United States provides that Congress may for limited times grant to authors and inventors the exlusive right to their respective writings and discoveries. Under that provision of the Constitution the patents were granted to the complainant, and no one is allowed to make the machines described in said patents or to use them or to sell them, unless a Court of competent jurisdiction should find that the patents had been improvidently granted for that which was not new. But these patents not being for ink or for any combination of parts into which ink enters as an element, cannot prevent a dealer in inks from selling the same. The only thing that would prevent a dealer in inks from selling the same to a person, who is under contract not to use his ink on the patented machine, would be the contract. And we repeat therefore that if the defendant had maliciously induced Miss Skou to violate it, her contract, to the

injury of complainant, the defendant should have been proceeded against for procurement of the violation of the contract.

Thus ADDISON ON TORTS, 1876 Edition, Vol. 1, page 11, states: Addison on Torts, p. 11.

> "The procurement of the violation of a right creates a cause of action in all instances where the violation is an actionable wrong—as in violations of a right to property, whether real or personal, or to personal security; he who procures the wrong is a joint wrongdoer, and may be sued, either alone or jointly with the agent, for the wrong done."

The same work, page 37, contains the following:

> "Malicious procurement of loss or damage to another, whether brought about by * * * maliciously inducing a party to a contract to break his contract, to the injury of the person with whom the contract was made, creates that conjunction of wrong and damage which will support an action."

It is respectfully submitted that if Henry induced Miss Skou to break her contract with A. B. Dick Co. to the latter's injury, a cause of action against Henry for procuring such a breach of contract would lie. But this is very far from converting Henry into a contributory infringer of a patent. For the restriction itself in its very terms is not in any way tied to a patent or to patents and will be as binding upon the purchaser of the machine *after* the expiration of the patents as it will be during their life. In other words, the so-called license restriction is not a restriction, which has anything to do with the patents or which terminates with the expiration of the patents, or with the expiration of one of several patents. As was stated by this Court in Bloomer *vs.* McQuewan, 14 Howard, 539-549: 14 How. 539, 549.

> "But the purchaser of the implement or machine for the purpose of using it in the

ordinary pursuits of life, stands on different ground. In using it, he exercises no rights created by the Act of Congress, nor does he derive title to it by virtue of the franchise or exclusive privilege granted to the patentee. *The inventor might lawfully sell it to him whether he had a patent or not*, if no other patentee stood in his way. And when the machine passes to the hands of the purchaser, it is no longer within the limits of the monopoly. It passes outside of it, and is no longer under the protection of the Act of Congress. And if his right to the implement or machine is infringed, he must seek redress in the Courts of the State, according to the laws of the State, and not in the Courts of the United States, nor under the law of Congress granting the patent. The implement or machine becomes his private individual property, not protected by the laws of the United States but by the laws of the State in which it is situated. *Contracts in relation to it are regulated by the laws of the State, and are subject to State jurisdiction.* It was so decided in this court in the case of Wilson *v.* Sanford and others, 10 Howard, 99. Like other individual property, it is then subject to State taxation; and from the great number of patented articles now in use, they no doubt, in some of the States, form no inconsiderable portion of its taxable property.

Moreover, the value of the implement or machine in the hands of the purchaser for use, **does not in any degree depend on the time for which the exclusive privilege is granted to the patentee;** nor upon the exclusion of others from its use."

10 How. 99.

In the case referred to in the foregoing opinion *James G. Wilson* vs. *George A. Sanford et al.*, 10 Howard, 99, this Court says:

"The object of the Bill was to set aside a contract made by the appellant with the appellees, by which he had granted them permission to use, or vend to others to be used, one of Woodworth's planing machines, in the cities of New Orleans and Lafayette; and also

to obtain an injunction against the further use of the machine, upon the ground that it was an *infringement of his patent rights.* The appellant states that he was the assignee of the monopoly in that district of country, and that the contract which he had made with the appellees had been forfeited by their refusal to comply with its conditions. The license in question was sold for fourteen hundred dollars, a part of which, the Bill admits, had been paid. * * *.

The matter in controversy between the parties arises upon this contract, and it does not appear that the sum in dispute exceeds two thousand dollars. * * *.

Now the dispute in this case does not arise under any Act of Congress; nor does the decision depend upon the construction of any law in relation to patents. It arises out of the contract stated in the Bill, and there is no Act of Congress providing for or regulating contracts of this kind. The rights of the parties depend altogether upon common law and equity principles. The object of the Bill is to have this contract set aside and declared to be forfeited; and the prayer is 'that the appellant's reinvestiture of title to the license granted to the appellees, by reason of the forfeiture of the contract, may be sanctioned by the Court," and for an injunction. But the injunction he asks for is to be the consequence of the decree of the court sanctioning the forfeiture. He alleges no ground for an injunction unless the contract is set aside. And if the case made in the Bill was a fit one for relief in equity, it is very clear that whether the contract ought to be declared forfeited or not, in a court of chancery, depended altogether upon the rules and principles of equity and in no degree whatever upon any Act of Congress concerning patent rights."

In the more recent case of

Keeler vs. *Standard Folding Bed Co.*,
157 U. S. 659, 157 U. S. 659,

this Court used the following language (p. 666):

" Upon the doctrine of these cases we think it follows that one who buys patented articles

> of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. Whether a patentee may protect himself and his assignees by special contracts brought home to the purchasers is not a question before us, and upon which we express no opinion. *It is, however, obvious that such a question would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws. The conclusion reached does not deprive a patentee of his just rights, because no article can be unfettered from the claim of his monopoly without paying its tribute. The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration.*"

Instructive in this connection are also the decisions in *Bobbs-Merrill Co.* v. *Straus* and *Scribner* vs. *Straus*, 210 U. S. pp. 339 and 352 respectively, which hold, so far as copyrights are concerned, that a mere notice in a copyrighted book that it shall not be re-sold below a certain price, does not amount to an agreement to that effect and does not make one who sells it below said price an infringer of the copyright, and that at any rate even a charge of illegal combination founded on the sale of the book for less than the restricted price cannot be raised in a suit which is founded solely on infringement of copyright. Moreover, in the Bobbs-Merrill case, Mr. Justice Day, in his opinion, p. 342, quotes from the main brief submitted by the counsel for the appellant the following:

210 U. S. 339.
Ib. 352.

> "All of the argument has been upon the assumption that the very numerous decisions of the Circuit Courts and Circuit Courts of Appeals, such as the Heaton-Peninsular case (Button Fastener case), 77 Fed. Rep. 288, Victor Talking Machine case, 123 Fed. Rep. 424, and others along the same line, as well as the Cotton Tie case in this Court, upholding this restriction, with reference to sales of patented

> articles, express the law; and we have been especially confident that such must be the case, for the reason that this Court, in Bement *vs.* National Harrow Co., 186 U. S. p. 70, has given its sanction to the broad doctrines laid down in Heaton Peninsula case, 77 Fed. Rep. 288."

The answer of the Court to this argument was in these words:

> "A case such as the present one, concerning inventions protected by Letters Patent of the United States, has not been decided in this Court, so far as we are able to discover."

The Court then proceeds to analyze the Cotton Tie case, 106 U. S. 89, and to show that that case held simply that the defendant in re-combining with a new bale the buckles formerly purchased, created a new structure or combination, and then contains the following (p. 95): 106 U. S. 89.

> "We do not decide that they are liable as infringers of either of the three patents merely because they have sold the buckle considered apart from the band or from the entire structure as a tie."

The Court then comments on its opinion in *Bement* vs. *National Harrow Co.*, 186 U. S. 70, and states that this was a suit between owners of the patent as licensor and licensees and concerned a contract of license sued upon in the State Court, and "of course does not dispose of the questions to be decided in this case." 186 U. S. 70.

In the Straus case it was sought to hold the defendants as copyright infringers, because they had notice of certain agreements, but the two courts below had held that there was nothing in any of the notices of a claim of right or reservation under the copyright law, and held that the question was one of right of the complainants to relief in a Court of Equity by virtue of their rights independent of stat-

utory copyright. This Court thereupon affirmed the decisions below.

We are, therefore, justified by the highest authority in maintaining that if the defendant Henry, in selling the can of ink to Miss Skou, affected the rights of the complainant injuriously, and, if you please, maliciously, he did so by inducing Miss Skou to violate her contract and not by inducing Miss Skou to infringe upon the patent. Contributory infringement of a patent involves a primary infringement of a patent, to which the party defendant contributes. But there can have been no primary infringement of the patent by even the use of the ink, for the invention, which did cover the use of ink in mimeographing or duplicating machines, expired with the first Edison patent of 1876. While that patent was in force any sale of ink intended to be used in violation of its claim would have constituted contributory infringement. After its expiration, however, and after the issue of the patents in suit, which no longer had anything to do with any claim for any method of using the ink, the party using such ink would not infringe the claims of the patent, but might violate the provisions of the contract.

Section 4921 of the Revised Statutes vests the Courts of the United States with jurisdiction to prevent the violation of any right *secured by a patent*, and in the same section it refers to a suit or action brought for the infringement of any patent, etc. The rights secured by the patents here in suit were never violated by Miss Skou, could not have been violated by her, for the reason that the patents do not and could not contain any claims involving the use or the manner of use of any ink. And, therefore, again we maintain that if complainant has a claim against this defendant it has it because said defendant, by selling the can of ink, tried to induce Miss Skou to violate her contract, and not to violate or infringe upon the patents.

That the Circuit Court in the present suit had in a way treated the case as one arising under the contract or license restriction, appears from the portion of the decree, which is quoted in the certificate, where the defendants are enjoined from selling ink or other supplies "for use, or capable of being used on said patented *or* restricted rotary mimeographs with design or intent that same shall be so used in *violation of such license restriction;*" not in violation of the patent, but in violation of the license restriction. And again the defendants are enjoined "from directly or indirectly persuading or inducing such persons or concerns to purchase any such supplies not of the complainant's manufacture and sale, designed or adapted for use in such machines for use thereon in violation of such *license;*" not in violation of the patent, but in violation of a supposed license; again, "from advertising," etc., "any supplies," etc.," in violation of such *license;*" again, "from publishing, or causing to be published, any offer," etc., "in violation of such *license*," and again, "from doing and performing any and all other acts or things designed or intended to persuade or induce said licensees or vendees to violate the *condition or covenant* binding upon them with respect to the use of said rotary mimeograph." Thus the Circuit Court had treated the case in many of its aspects as one brought under contract. But the question certified to this Court by the Circuit Court of Appeals is whether the act of defendant in selling the can of ink constitutes contributory infringement of a PATENT.

The theory that induced the Circuit Court in the case at bar to issue its far-reaching injunction has had its rise in the decision of the Circuit Court of Appeals for the Sixth Circuit in the Heaton-Peninsular case, 77 Fed. Rep., p. 288. In that case a ma- 77 F. R. 288.
chine was the subject of Letters Patent for fastening buttons and that machine required staples of

certain form to render it operative. Each machine delivered by complainant had the following notice:

> "CONDITION OF SALE.
> This machine is sold and purchased to use only with fasteners made by the Peninsular Novelty Company, to *whom the title to said machine immediately reverts* upon violation of this contract of sale."

We observe at once the very wide difference between the condition under which the button fastener machine was leased or sold and the condition applied to the mimeograph here in suit. The button fastening machine, under an agreement approved by the purchaser, was sold or leased for use for such a period of time as the machine was used with staples made by the Peninsular Company, no matter whether this occurred prior to or subsequent to the expiration of any patent. Immediately after the stipulated time the machine became again the property of the Peninsular Company, that is, the instant another staple was used on it, it was no longer the property of the so-called purchaser. It further appears from the opinion in that case that the staples in question were specially manufactured by the defendant for use on these machines. And the Court stated (p. 296) as follows:

> "So long as their invention *controls* the market for button fastening appliances, and to the extent that their machines shall supersede other modes of clinching staples, just so long will they be enabled to control the market for staples. * * *. In the last analysis, the invention destroyed the demand for sizes and shapes of staples not adapted to use with the machine of complainant, and the monopoly of the use awarded by the patents destroyed the market for staples fitted for use in complainant's machines. The monopoly in the unpatented staple results as an incident from the monopoly in the use of complainant's invention, and is therefore a legiti-

> mate result of the patentee's control over the use of his invention by others."

We observe, therefore, that the Court here lays stress upon the monopoly exercised by the complainant in regard to a machine which is specially adapted to use but one size and kind of staple, and that, so long as that monopoly lasts, the restriction is held sound and fair. But that decision cannot be understood to refer to a machine which, like the Rotary Mimeograph, performs the same function as the Rotary Neostyle, the oscillating mimeograph, the original mimeograph and many devices of older date, and uses the same supplies, and creates, therefore, in the limited claims for stop pin and strippers, no monopoly of the kind which in this Button Fastener case was intended to be referred to.

In the same case the Court says (p. 297):

> "*If* the licensees infringe, all who actively and intentionally aid and abet them in infringing are equally infringers."

The essence of Judge Lurton's decision in the Heaton-Peninsular case must be found in the fact that the staples sold by the defendant were fit for no other use than a use on the patented machine. They were not a commodity. In a later case, decided by the same Court, his Honor Judge Lurton writing the opinion, see *Rupp et al.* vs. *Elliott et al.*, 131 Fed. Rep. 730, the former (Peninsular) case was again commented upon. In that case certain wire was sold for use on a licensed machine covered by a patent, and the Court used the following language (p. 732): 131 F. R. 730.

> "The mere sale of wire which **might** be used in the Elliott machines, or for some other non-infringing use, would by no means constitute the appellant's infringers. It is the sale of wire adapted to the infringing use, with the intent and purpose that it shall be so used, which constitutes contributory infringement."

And on page 733 of the Opinion, the Court says:

> "The averments are that the wire sold by defendants is, in the manner in which it is put up, in its size, color, and temper, especially adapted to use in the Elliott machines, and that '*it is suitable for no other use*'".

Hence again it is not a commodity. It is also important to note that both in the Button Fastener case and in the case last referred to a sale of the machine was in fact not effected. In the Button Fastener case the "title" to the machine is in the patentee by special agreement the instant the machine is put to a use, other than that described in the agreement. Hence the title never passed; at best the so-called purchaser became authorized to use the machine in a certain way, but it never was his property. In the later case Rupp *vs.* Elliott, as stated on page 730, 131 Fed. Rep., the opinion says:

131 F. R. 730.

> "Every machine carries a metal inscription indicating that the patentees *retain the title*, and consent only to this restricted use."

No such retention of title appears in the license restriction applied by A. B. Dick Co. to the mimeograph involved in this litigation.

We do not deem it our duty to further discuss the opinion of the learned judges who rendered the decision in the Peninsular case, one of whom now occupies a seat on this bench, while the other is President of the United States.

Nor do we think it necessary to enter into a lengthy discussion of the *Morgan Envelope Company* case, 152 U. S. 425, which is criticised in the Peninsular Co. decision. In that case suit was brought on three patents, one for an oval roll of paper, the other two for apparatus for holding the paper. The patentees sold the fixtures or apparatus only to purchasers of his paper, with the understanding that the paper would be subsequently purchased of the plaintiff Company (see top, page 432). It was held that the patent for the roll of paper was

152 U. S. 425.

invalid, but the validity of the apparatus claims, or at least of some of them, was not challenged. The defendant sold the paper with full knowledge of the restriction imposed by the patentee. Mr. Justice Brown, after quoting from *Chaffee* vs. *Boston Belting Co.*, 22 Howard, 217, 223, says:

22 Howard 217, 223.

> "The real question in this case is, whether, conceding the combination of the oval roll with the fixture to be a valid combination, the sale of one element of such *combination*, with the intent that it shall be used with the other element, is an infringement. We are of opinion that it is not. * * * Of course, if the product itself is the subject of a valid patent, it would be an infringement of that patent to purchase such product of another than the patentee; but if the product be unpatentable, it is giving to the patentee of the machine the benefit of a patent upon the product, by requiring such product to be bought of him."

On page 431 the opinion further states:

> "The first defense raises the question whether, when a machine is designed to manufacture, distribute, or serve out to users a certain article, the article so dealt with can be said to be a part of the combination of which the machine itself is another part. If this be so, then it would seem to follow that the log which is sawn in the mill; the wheat which is ground by the rollers; the pin which is produced by the patented machine; *the paper which is folded and delivered by the printing press*, may be *claimed* as an element of a combination of which the mechanism doing the work is another element. The motion of the hand necessary to turn the roll and withdraw the paper is analogous to the motive power which operates the machinery in the other instances."

The mimeograph is a printing press, which receives paper to be printed upon, and it receives ink, which is to be applied to such paper, and receives the instrumentalities such as a stencil sheet, through

the perforations of which the ink reaches the paper to be printed upon. All men in business are liable to hand out sheets of paper to be imprinted on any mimeograph or duplicating machine, and in many instances, especially where charitable organizations are concerned, the sheets contain headings giving the name of the concern and its place of business. If any one desiring to have such business paper printed on by the duplicating process, hands it to a person owning a mimeograph having the "license restriction" in question, he would, under the theory of the Circuit Court, immediately become an infringer of the patent for the stop pin, provided he had seen that license restriction. That claims to this effect regarding such paper have been pressed upon the attention of courts by A. B. Dick Co. is a fact. At any rate, such paper is amongst the supplies necessarily mentioned in the so-called restriction notice. It is therefore largely a question of public policy whether a patentee of a subordinate little improvement on a well known machine, otherwise open to the public, has the right, by his ipse dictum, to prevent ordinary supplies from being used on such machines. In this respect the question differs materially from that in the Button Fastener case, where the supplies were staples, and where these staples had to be made specifically for the patented machine and were otherwise not useful. And it is further distinguishable from the Peninsular case, because the license restriction in the Peninsular case distinctly specified that the title to the machine itself reverted back to the original patentee, and further specified that the restriction was an agreement entered into between the seller and the purchaser.

Another phase of the license restriction is of interest. It provides that the machine is licensed to be used only with supplies *made* by A. B. Dick Co. It may be very difficult for persons doing business in various parts of this great country, to ascertain whether something they buy is "made" by A. B.

Dick Co. It is not even sufficient that it is sold by A. B. Dick Co.; if not *made* by them, the license restriction is violated. Hence the inconvenience and annoyance referred to in *Keeler* vs. *Standard* (pp. 19 and 20 this brief).

Again, A. B. Dick Co. do not agree to furnish these supplies to the owner of the machine, nor do they agree to furnish such supplies at a certain price and within a given time. If this so called license agreement is valid, which we think it is not, it would leave it in the power of the A. B. Dick Company to charge one customer $2 for a can of ink, another 50¢., and another $10, and to make a similar distinction in the prices of the other supplies: stencil paper, paper to be printed upon, and the like. (See *Pope* v. *Gormully*, 144 U. S., 224, 234-236.) 144 U. S. 224. A contract, as understood, is usually an agreement which is enforcible by either side against the other. But there is nothing enforcible against A. B. Dick Co. in this supposed contract. In other words, it is, at best, a sort of unilateral contract, which cannot be enforced directly between the parties, and is, consequently, void on its face. In *Lawrence* vs. *Dixey*, 119 A. D. (N. Y.) 295. 119 Appellate Division, New York, 295, the Court, speaking through Mr. Justice Ingraham, uses this language (298):

> "A Court of Equity should never by injunction imply obligations on one party when there are no clear and definite obligations imposed upon the other party to the contract."
>
> *Chicago Railroad Co.* v. *Dane, 43 New York, p. 240.*
>
> *Rafolovitz* vs. *American Tobacco Co., 73 Hun, 87.*
>
> *Jackson* vs. *Alpha Portland Cement Co., 122 Appellate Division, New York, 345.*

How is the complainant injured by the sale of ink to Miss Skou? It is injured, if at all, because it would like to sell that ink to Miss Skou and not

have Henry sell it to her. But what has that to do with the patent? The injury would arise from competition with people who have the legal right to make and sell ink. It is not ink entering into a combination with parts claimed in the patent, as it would have been under the 1876 Edison Patent, or as is the acetylene gas in Acetylene Co. *vs.* Autolux Co., 181 Fed. Rep. 387, 390.* It is not ink which is patented, but is ink which was twice patented, first as to its use and then as to its composition. (See pp. 8 and 11, this brief.) The patents on that ink have expired, the fruits of the invention creating it were fully enjoyed by this complainant during the life of said patents. So it is a dog-in-the-manger policy that induces the complainant to affix these so-called restrictions and to seek their enforcement. If the complainant's theory is sustained, a man who has a patent for a window may sell it, with the enforcible license restriction that his window shall not be used in any house in which the coal, electric current and other supplies used, shall not be purchased of the patentee. The coal dealer would be a contributory infringer if he had knowledge of the restrictions. In short, the complainant's theory is entirely against public policy.

181 F. R. 387.

The Sherman Act and its bearing on the so-called license restriction is also to be considered.

In the interesting opinion of Judge Brown of the Rhode Island Circuit in *Blount Mfg. Co.* vs. *Yale & Towne Mfg. Co.*, 166 Fed. Rep. 555, 562, the following statement appears:

166 F. R. 555.

> "It seems quite clear that an agreement in restraint of trade, though it relates to patented

*The opinion in *Commercial Acetylene Co.* vs. *Autolux Co.* 181 Fed. Rep. 387, 391, expresses, we submit, correctly the correct principle underlying proper license restrictions. It states that the distinguishing feature of that case is that the patentee merely insists upon the exclusive right to practice the invention "*to control the elements that constitute the* SOUL *of the invention.*" In the present case the ink does not constitute the soul of the invention on the stop pin.

> articles, may tend to create a monopoly which is different from that conferred by grants of letters patent."

This decision calls attention to the fact that an agreement in restraint of trade, though it relates to patented articles, may tend to create a forbidden monopoly. The meaning of which is that it may come within the prohibition of the Sherman Act, which was approved July 2, 1890, entitled "an Act to protect trade and commerce against unlawful restraints and monopolies."

It has been held in this Court that if a contract is a violation of the Sherman law that fact would constitute a good defense to an action; *Bement* vs. *National Harrow Co. 186 U. S. p. 70, 88.* If the contract or license agreement supposed to have been entered into between A. B. Dick and Miss Skou is read on its face, it seeks to force Miss Skou, who is in New York, to buy her ink of the A. B. Dick Co., who makes it in Chicago. Therefore the ink referred to in the agreement enters into interstate commerce. Hence the contract on its face is one which is condemned by the Sherman law under various decisions heretofore rendered. In so far as the contract relates to common supplies such as paper and ink, it even comes under the condemnation of the British people during the reign of Queen Elizabeth. We quote the following from the charge of Judge Speer to the Grand Jury (151 Fed. Rep. 834):

186 U. S. 70, 88.

> "Monopolies first began in a large way to betray their injustice to the masses of the people in the reign of Queen Elizabeth.* * * She therefore granted her servants and courtiers the privileges or patents of certain monopolies. These they sold to others, who were thereby enabled to raise commodities to what price they pleased, and to put 'invincible restraints upon all commerce, industry and emulation in the arts. * * *' Currants, salt, iron, powder, * * *

> potash * * * vinegar, seacoals, steel, aqua vitæ, brushes, pots, bottles, saltpeter, lead, * * * oil * * *, glasses, *paper*, starch, tin, sulphur * * *; these are but a part of the commodities which had been appropriated to monopolists."

In support of a measure intended to do away with the aforementioned monopolies, a Mr. Martin published the following declaration (p. 837):

> "I do speak for a town that grieves and pines, for a country that groaneth and languisheth, under the burden of monstrous and unconscionable substitutes to the monopolitans of starch, tin, cloth, oil, vinegar, salt, and I know not what; nay, what not! The principalest commodities, both of my town and country, are engrossed into the hands of these bloodsuckers of the commonwealth. * * * Such is the state of my own town and country; the traffic is taken away, the inward and private commodities are taken away, and dare not be used without the *license* of these monopolitans. If these bloodsuckers be still let alone to suck up the best and principalest commodities which the earth there hath given us, what will become of us, from whom the fruits of our own soil and the commodities of our own labor, * * * shall be taken by warrant of supreme authority, which the poor subject dare not gainsay."

The final result of these agitations was the adoption by Parliament of the Statute 21 of James I, Chapter 3, from which we quote the following 1st Section:

> "* * * all monopolies and all commissions, grants, licenses, charters and *letters patent* * * * to any person or persons, bodies politic or corporate whatsoever, of or for the sole buying, selling, making, working or using of anything, within this realm or the dominion of Wales, or of any other monopolies, * * *; and all proclamations, inhibitions, restraints, warrants of assistance and all other matters and things, whatsoever, any way tend-

ing to the instituting, erecting, strengthening, furthering or countenancing the same, or any of them, are altogether contrary to the laws of the realm, and so are and shall be utterly void and of none effect, and in nowise to be put in use or execution."

And also the following Sixth Section:

"Provided also, and be it declared and enacted: That any declaration before mentioned shall not extend to any letters-patent and grants of privilege, for the term of fourteen years or under, hereafter to be made, of the sole working or making of any manner of new manufactures, within this realm, to the true and first inventor and inventors of such manufactures, which others, at the time of making such letters-patent and grant, shall not use, *so as also they be not contrary to the law, nor mischievous to the state, by raising prices of commodities at home, or hurt of trade, or generally inconvenient:* The said fourteen years to be accounted from the date of the first letters-patent or grant of such privilege, hereafter to be made; but that the same shall be of such force as they should be, if this act had never been made and of none other."

We therefore observe that under the English law a patent for an invention is granted on condition that it be not used so as to be mischievous to the state by raising prices of commodities at home, or hurt of trade, or generally inconvenient. If the patent law of the United States is a mere creature of the Constitution and of the Acts of Congress, then it may well be said that the Sherman Act came to its aid, to cause it to conform to the provisions regarding trade in commodities, such as are mentioned in the English law. ROBINSON ON PATENTS appears to be of opinion that the rights and remedies (naturally also the duties) of inventors do not rest solely on the Constitution and on the Acts of Congress, as they were recognized by the common law before the Statute, Section I, was enacted; that they

Robinson on Patents.

were acknowledged and enforced by the individual States before the adoption of the Federal Constitution; and that our Patent Acts have always depended upon common law principles for their construction, and until recently have been uniformly treated as a part of that great body of theoretical and practical jurisprudence. (See footnote, page 15, Vol. I, ROBINSON ON PATENTS.)

Regarding the applicability of the Sherman law to the contract in question, we also call attention to the argument in the Senate regarding it, more particularly as recorded in the Congressional Record, 51st Congress, First Session, page 3151, where it appears that Senator Hoar replying to an inquiry made by Senator Kenna stated that the word "monopoly" in the then draft of the Sherman law, which was enacted into law without change, signifies "*the sole engrossing to a man's self by means which prevent other men from engaging in* FAIR *competition with him.*" And on the same page (3151) we find as one of the remarks made by Senator Edmunds the statement: "We thought we had done the right thing in providing in the very phrase we did, and that if one person alone should monopolize or attempt to monopolize, it was just as offensive to the public interest as if two would combine to do it." Mr. Culberson, during the session of May 1, 1890 (see Congr. Rec. Fifty-First Congress, first session, p. 4090) stated that that section prohibited monopolizing any part of a particular business, as well as monopolizing the whole of a particular business. The views there expressed, which appear to have been adopted by the courts since the passage of the Sherman Act, render it clear that the effort made by the A. B. Dick Co. to monopolize the sale of ink is intended to be forbidden by the Sherman Act, provided such ink goes into interstate commerce.

Congressional Record, 51st Congress.

Does the mere fact that this complainant owns a patent on a stop pin used on their printing machine legalize a contract which otherwise would be unlawful? Does the grant of a patent give the patentee

the right to be a Congress all by himself and legalize by his desire to control the prices of inks and paper and the like, that which, but for him, Congress tells the people *no one* shall have the right to do? This Court said in the Bement case (186 U. S., 70), regarding the patent laws, that "the very object of these laws is monopoly, and the rule is, *with very few exceptions, that any conditions which are not in their very nature illegal with regard to this kind of property*, imposed by the patentee and agreed to by the licensee * * * will be upheld by the courts." Regarding the Sherman Act this Court said in the Bement case, "But that Statute clearly does not refer to that kind of a restraint of interstate commerce which may arise from reasonable and legal conditions imposed upon the assignee or licensee of a patent by the owner thereof, restricting the terms upon which the articles may be used and the price to be demanded therefor. Such a construction of the Act we have no doubt was never contemplated by its framers." We respectfully submit that in the case at bar the restriction placed upon the printing machine in question was not applied as a restriction having anything to do with a patent, nor as a restriction having anything to do with the term of one, or the terms of several patents, and that therefore it is a restriction which is not applied by the patentee as one connected with the patent. But if it were, we further submit that under the circumstances of the case the restriction is not legal, but is one, which in the language of the English law is "mischievous to the state, by raising prices of commodities at home, or hurt of trade, or generally inconvenient." The ink is a general commodity, which every one has the right to make and which every one has the right to sell, and the sale of which this patentee may not legally restrict, and the price of which this patentee may not legally establish. Even if he had such right, he would interfere with trade to most mischievous extent. Judge Grosscup in a concurring opinion in *Rubber Tire*

186 U. S. 70, 91.

Wheel Co. vs. *Milwaukee Rubber Works*, 154 Fed. Rep. 358–364, starts out by saying:

154 F. R. 358.

> "I concur in the foregoing judgment; but am not prepared to hold that patented articles are never, under any circumstances, articles of trade or commerce among the several states, within the meaning of the Sherman Act; and do not think that that premise is essential to the conclusion arrived at * * * (p. 365). Contracts, therefore, in the case before us, having been made in good faith, *and not as a mere subterfuge*, I can see in them nothing that the Sherman Act was intended to prevent."

In another concurring opinion in *Indiana Mfg. Co.* vs. *Case Threshing Machine Co.*, 154 Fed. Rep. 365–372, Judge Grosscup says:

154 F. R. 365.

> "I am not prepared to hold—as I have said already in a concurring opinion in Rubber Tire Wheel Co. *vs.* Milwaukee Rubber Works—that patented articles are never, under any circumstances, articles of trade or commerce, within the Sherman Act."

If the ink in question is therefore not part of the patented article, but is merely added to the patented article by the paper called a license restriction, we submit that it is one of those commodities which the Sherman Act was undoubtedly intended to reach. In *American Biscuit, etc., Co.* vs. *Klotz*, 44 Fed. Rep. 721, Judges Pardee and Billings substantially held that where one comes into court, to seek to enforce an unlawful contract, he does not come into equity with clean hands. We submit that the complainant here, having made an unconscionable contract with Miss Skou, or tried to do so at any rate, comes into court with hands tainted by an unfair effort to monopolize the market in paper, ink and the like, all of which should be free to competition and free to all men to make and to use as they see fit. Judge Day, speaking for the United States Circuit Court of Appeals for the Sixth

44 F. R. 721.

Circuit in *United States* vs. *Chesapeake & Ohio Fuel Co.*, 115 F. R. 610, used the following language (p. 619): 115 F. R. 610.

> "A contract or combination which interferes with the freedom of interstate commerce and hinders or prevents its free enjoyment, to the extent that it does so, restrains that commerce and is illegal. It was the policy of the common law to discourage monopolies, and to refuse to enforce contracts which had the effect to suppress competition. It was believed and declared by those who built up that system of jurisprudence that the public interests were best subserved when commerce and trade were left unfettered by combinations and agreements which have the effect to destroy competition in whole or in part. It was in the same spirit, and with the same end in view, that Congress passed the act under consideration, which is aimed to maintain interstate commerce upon the basis of free competition, and contracts which have the necessary tendency to restrain that freedom are within the condemnation of the law. The courts are not concerned with the policy of such a law. It is not for them to inquire whether it be true, as is often alleged, that this is a mistaken public policy, and combinations, in the reduction of the cost of production, cheapened transportation, and lowered cost to the consumer, have been productive of more good than evil to the public The Constitution has delegated to Congress the right to control and regulate commerce between the states. In the exercise of this right, it has declared for that policy which shall keep competition free, and leave interstate commerce open to all, without the right to any to fetter it by contracts or combinations which shall put it under restraint."
>
> "The statute is not limited to contracts or combinations which monopolize interstate commerce in any given commodity, but seeks to reach those which directly restrain or impair the freedom of interstate trade. The law reaches combinations which may fall short of complete control of a trade or business, and does not await the consolidation of many

small combinations into the huge 'trust' which shall control the production and sale of a commodity" (p. 624).

In the case of *John D. Park & Sons Co.* vs. *Hartman*, 153 Fed. Rep. p. 24, his Honor Judge Lurton quoted, with evident approval the following from a decision of the Court of Appeals of New York in *People* vs. *Sheldon* (p. 46):

153 F. R. 24.

> "If agreements and combinations to prevent competition are or may be hurtful to trade, the only sure remedy is to prohibit all agreements of that character. If the validity of such an agreement was made to depend upon an actual proof of public prejudice or injury it would be very difficult in any case to establish the invalidity although the moral evidence might be very convincing."

And then used the following language (p. 46):

> "It has been suggested that we should have regard to new commercial conditions and a tendency toward a relaxation of old common law principles which tend to prevent development on modern lines. This is an argument better addressed to legislative bodies than to the courts. Neither is it wise for the courts to countenance the introduction of artificial distinctions dependent upon the variant economic views of individual judges. Distinctions which are specious or analogies which are but apparent will but afford opportunities to whittle away broad economic principles lying at the bottom of our public policy, principles which have long received the sanction of statesmen and the approving recognition of a long line of jurists. A like argument is expected whenever some new method of circumventing freedom of commerce comes under the tests of the law. It was made and answered by Judge Taft in the Addyston Pipe case with a strength to which we can add nothing."

If it be assumed that Congress, when enacting the law on patents, intended to give an absolute monopoly to the patentee in the sense that under cover of license-restrictions the patentee may control ordinary articles of interstate commerce, it may well be said that, when in 1890 the Sherman Act was passed, it was intended by this Act to eliminate from the patent monopoly the right to make contracts, which should control ordinary articles of commerce. As the Attorney-General said in his Annual Report of November 30, 1898, "that Congress, in dealing with interstate commerce, and in the course of regulating it in the case of the railroad corporations, has the power to say that no contract or combination shall be legal which shall restrain trade and commerce by shutting out the operation of the general law of competition." In his next Annual Report of November 30, 1899, the Attorney-General, commenting upon the decision of this Court in the Trans Missouri case, stated that Congress was held by that decision to have prohibited *all agreements in restraint of interstate trade or commerce, whether the restraint be reasonable or unreasonable.* In the Annual Report of the Attorney-General, of November 20, 1900, commenting on the decision in the Addyston case, he says that the court held that any agreement or combination, which directly restrains not only the manufacture but also the sale of a commodity within the several states, comes within the Anti-trust Law.

Report of Attorney-Generals.

The law on patents is based upon one provision of the Constitution, and the Sherman Act is based upon another provision of the Constitution. If the later act modifies the former in obedience to the Constitutional provision relating to the regulation of interstate commerce, it effectuates such regulation under the established theory that a later Act of Congress supersedes or modifies a former. This was so held by this Court in the Chinese Exclusion cases, 130 U. S. 581 and 149 U. S. 698, in which it

130 U. S. 581.

149 U. S. 698.

was stated that "the *last* expression of the sovereign will must control." Hence, as Section 1 of the Sherman Act prohibits *every* contract in restraint of trade or commerce among the several States, it does so without allowi[illegible] of any exception. A contract or license entered into by a patentee and the purchaser of his machine, which applies to things specially made only for the patented machine, as in the Heaton-Peninsular case, is not a contract or license in restraint of trade or commerce. But a license restriction like the one here in suit, which seeks to restrain the trade in ordinary ink, is one which undoubtedly is proscribed by Sect. 1 of the Sherman Act, and if in passing that law Congress intended to warn patentees that they as well as others shall not make contracts in restraint of trade or commerce, Congress in so doing created conditions which will entirely preclude any patentee from monopolizing the traffic in paper, as in the Morgan Envelope case, or the traffic in ink as in the present case. As was said by Mr. Chief Justice Marshall in *Gibbons* vs. *Ogden*, 9 Wheaton 1, 227, the power to regulate commerce "*carries with it the whole subject.*" * * * and (p. 231): "If there was any one object riding over every other in the adoption of the Constitution, it was to keep the commercial intercourse among the States free from *all* invidious and partial restraints."

9 Wheaton 1, 227.

In *Continental Wall Paper Co.* vs. *Voight & Sons*, 212 U. S. 227, this Court held that we should not depart (p. 262) "from the statutory rule, long established in the jurisprudence of both this country and England, that a court will not lend its aid, in any way, to a party seeking to realize the fruits of an agreement that appears to be tainted with illegality."

212 U. S. 227.

We submit with confidence that the license-agreement, or contract, supposed to have been entered into between A. B. Dick Co. and Miss Skou is one, which under the provisions of the Sherman Act, is undoubtedly tainted with illegality, especially in

view of the fact that the Sherman Act, so far as it condemns contracts of this kind, is controlling—because the latest expression of the intent of Congress.

The Constitution provides that Congress may, for *limited times*, secure to the inventors the exclusive right to their discoveries. The limitation of time, of course, is essential. The protection shall not be unlimited. But this complainant wants his ink-monopoly to be unlimited in point of time. Under cover of sundry patents it seeks to maintain a monopoly on the stencil paper, which had been specially patented, and which patent has expired. In the case at bar it seeks the monopoly on the ink for which it had a patent, which has expired. Therefore it seeks to extend a monopoly in violation of the provision of the Constitution, and if the complainant's view be sustained, it would mean that although Congress gives a patent for seventeen years to the Button Fastener Machine inventors, to Edison for his Mimeograph, etc., and whereas the Courts have held that an inventor of such a new structure may reasonably control the implements necessarily employed therewith during the life of the patent for such implement, yet the patentee himself shall have it in its power, outside of the Constitution and apart from anything Congress may say, to extend his monopoly on unpatented devices to unlimited terms. The Constitutional provision as to time limitation was first commented upon by the Supreme Court in

Pennock vs. *Dialogue, 2 Peters, p. 1,*

and afterwards by the Circuit Court of the United States for the District of Maryland.

Evans vs. *Robinson* (*Brunner Col. Cases, 400; Federal Cases, 4571*),

where the Court says that Congress has the *exclusive* right to limit the time for which monopolies shall be granted. It follows that the patentee him-

self has no right to create additional terms, or to so arrange matters that there shall be no time limitation.

We respectfully submit that the question certified should be answered in the negative.

Very respectfully,

ARTHUR V. BRIESEN,
for Appellants.

New York, April 3rd, 1911.

43

No. 746,931. PATENTED DEC. 15, 1903.

A. B. DICK.

STENCIL PRINTING MACHINE.

APPLICATION FILED SEPT. 19, 1903.

NO MODEL. 2 SHEETS—SHEET 1.

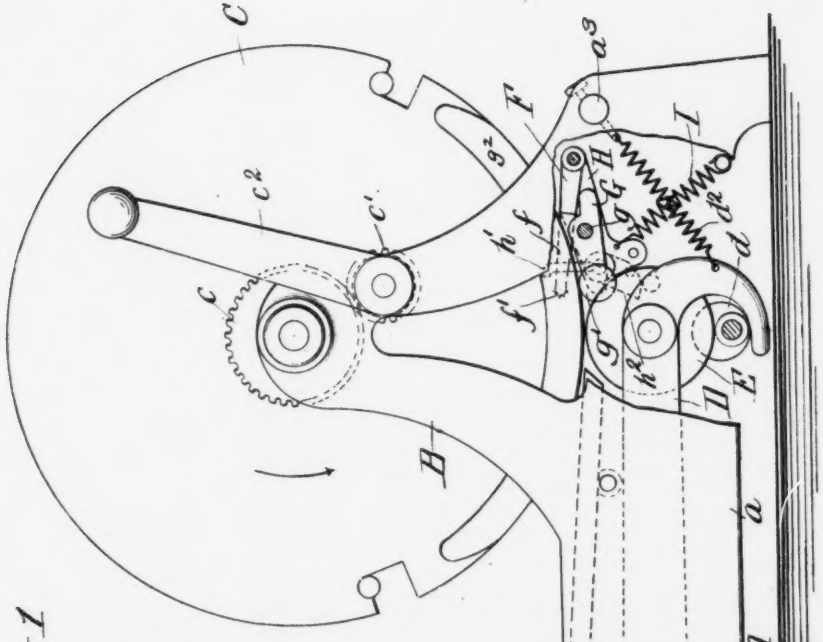

Fig. 1

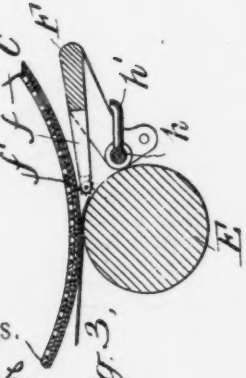

Fig. 3.

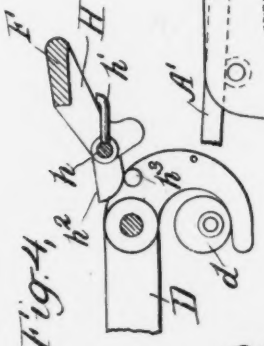

Fig. 4.

WITNESSES.

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INVENTOR

Albert B. Dick

BY

J. Edmonds

ATTORNEY

THE NORRIS PETERS CO., WASHINGTON, D. C.

44

No. 746,931. PATENTED DEC. 15, 1903.

A. B. DICK.

STENCIL PRINTING MACHINE.

APPLICATION FILED SEPT. 19, 1903.

NO MODEL. 2 SHEETS—SHEET 2.

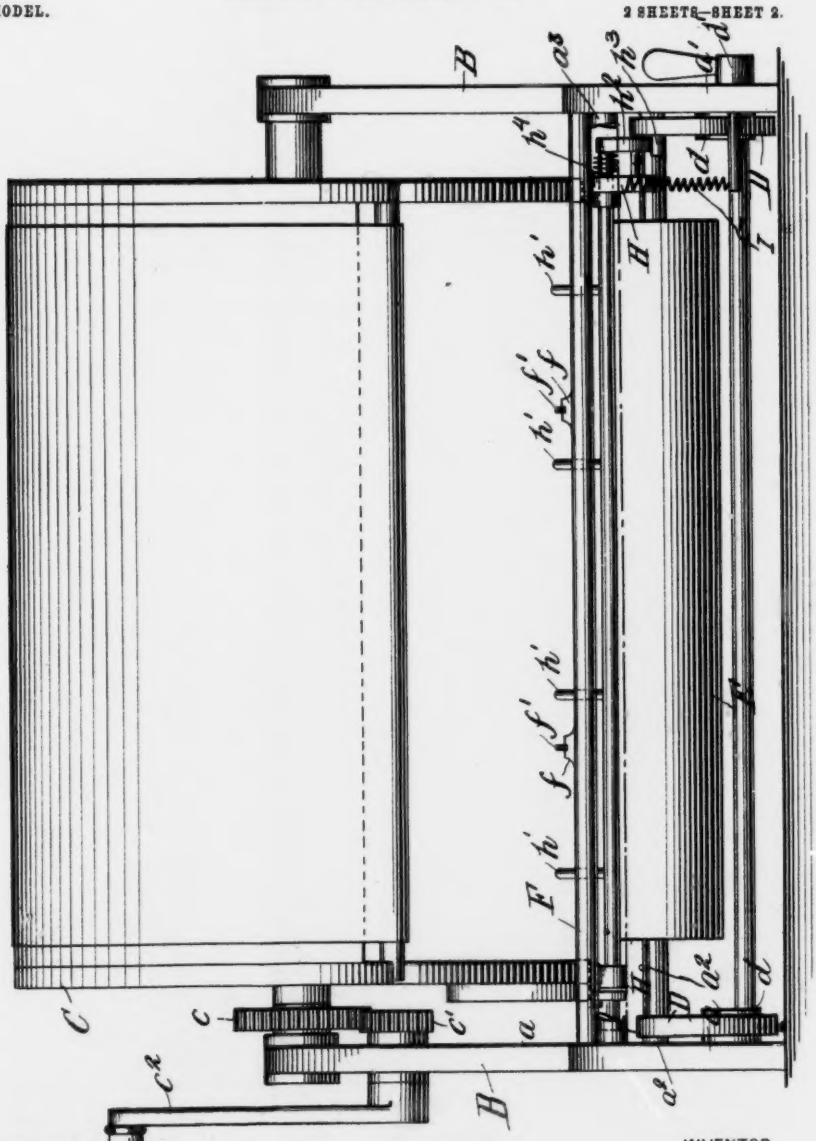

Fig. 2.

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Edward A. Dickerson

INVENTOR
Albert B. Dick
BY
J. C. Edmonds
ATTORNEY

THE NORRIS PETERS CO., WASHINGTON, D. C.

No. 746,931. Patented December 15, 1903.

UNITED STATES PATENT OFFICE.

ALBERT B. DICK, OF CHICAGO, ILLINOIS, ASSIGNOR TO A. B. DICK COMPANY, OF CHICAGO, ILLINOIS, A CORPORATION OF ILLINOIS.

STENCIL-PRINTING MACHINE.

SPECIFICATION forming part of Letters Patent No. 746,931, dated December 15, 1903.

Application filed September 19, 1903. Serial No. 173,830. (No model.)

To all whom it may concern:

Be it known that I, ALBERT B. DICK, a citizen of the United States, and a resident of Chicago, in the county of Cook and State of Illinois, have invented a certain new and useful Improvement in Stencil-Printing Machines, of which the following is a description.

The object of the present invention is to provide a stencil-printing machine which shall be simple in construction, and therefore of low cost of manufacture.

A further object is to so construct and arrange the operative parts as to insure reliability and positive coaction of those movable elements of the construction which are recurringly brought into operation in the production of prints from such machine.

In carrying out the invention I employ a suitable frame upon which is mounted a drum, on the surface whereof the stencil-sheet may be secured in any suitable manner. Also mounted in the frame and below the drum I employ an impression-roller, preferably adjustable into and out of operative relation to said drum. The impression-paper is designed to pass between said roller and said drum in order to receive the prints from the stencil carried on the latter. Adjacent to the coacting portions of the impression-roller and the drum I employ a hinged or pivoted paper-stripper provided with projecting paper-stripping arms, the ends whereof catch the paper as the drum revolves, stripping it from the surface of the stencil-sheet, to which it would otherwise adhere owing to the ink upon the latter. In order to determine the proper position of the impression-paper fed into the machine during the inoperative intervals of the stencil-sheet, a paper-stop is employed, which in one position interposes an obstacle to the free passage of such paper through the machine and in the other position is withdrawn out of the line of travel in order that the paper may be freely passed out of the machine and either upon the table upon which the machine is mounted or into a suitable paper-tray on said table. The paper-stripper and paper-stop herein referred to are brought alternately to operative and inoperative positions. In other words, one is brought to operative position when the other is brought to inoperative position. They are therefore mechanically so connected as to be interdependent, thus making it impossible for either to operate without effecting the operation of the other.

The invention is illustrated in the accompanying drawings, in which—

Figure 1 is a side elevation of a stencil-printing machine embodying my invention. Fig. 2 is an end elevation, and Figs. 3 and 4 detail views, illustrating, respectively, the paper-stripper and paper-stop detached from the machine.

Referring to the drawings, in which similar letters denote corresponding parts, A designates the frame of the machine, here shown as comprising side members a a', connected by cross-rods a^2 a^3.

B designates upwardly-projecting brackets, in the upper ends whereof is mounted the drum C, carrying upon its periphery the perforate screen and stencil-sheet common in apparatus of this type. Movement is transmitted to the drum C in the present instance by means of a gear c, meshing with a gear c', driven by a crank c^2.

Pivotally mounted upon the cross-rod a^2 within the frame are arms D, in which is pivotally mounted the impression-roller E. The ends of the pivoted arms D are downwardly and rearwardly curved for coaction with cams d, operated by a finger-piece d', to throw the impression-roller into and out of operative relation to the drum C. A spring d^2 tends to press the arms D upwardly, the cams d therefore depressing said arms when the finger-piece d' is turned against the tension of said spring d^2.

The paper-stripper comprises in the present instance a bar F, carrying rearwardly-projecting paper-stripping fingers f, the ends whereof (here shown as provided with star-wheels f') terminate in proximity to the point of coaction of the stencil-sheet on the drum D and the impression-paper fed into the machine over the feed-board A'. The bar F is pivoted at its ends in the side members a a' of the machine. Coacting with said bar is a rocking lever G, pivoted at g to the side member a' of the frame. One end of said rocking lever G underlies said bar F; while the

other end is provided with a sheave g', lying in the path of movement of a cam g^2, carried by the adjacent head of the drum C. When during the operation of said drum C said cam is brought into coaction with the sheave g', the distant end of the rocking lever G is elevated to throw the paper-stripping fingers f upward and out of operative position.

Projecting downwardly and rearwardly from the bar F are two arms H, in the free ends whereof is mounted a rock-shaft h, provided with a paper-stop, here shown as comprising fingers h'. Secured to the rock-shaft h is a cam h^2, the lower curved end whereof coacts with a pin h^3, here shown as carried by one of the hinged arms D, in which the impression-roller E is mounted. A spring h^4 tends to hold this cam h^2 in operative position—*i. e.*, the position in which it is shown in Fig. 1. The movement of said cam to throw the paper-stop h' to inoperative position is therefore against the tension of said spring.

I designates a spring connected at one end with the side member a' of the frame A and at its other end to one of the arms H, in which the rock-shaft h is supported.

In the position in which the parts are illustrated in Fig. 1 the stencil-sheet is out of operative position and the machine is ready to receive a sheet of impression-paper. This is fed over the board A' until the forward edge thereof is brought into contact with the paper-stop h'. The paper-stripping fingers f are elevated to inoperative position, due to the coaction of the cam g^2 on the drum C and the sheave g' on the rock-bar G. The drum now being turned, the cam g^2 passes beyond the sheave g', thereby permitting said sheave to rise and the rear end of the rock-bar G to drop, whereupon the paper-stripping fingers f are correspondingly depressed into position to lie directly over the forward edge of the impression-paper, so as to part the same from the stencil-sheet on the drum C. Simultaneously with the dropping of the paper-stripping fingers f the arms H and the paper-stop carried thereby are also depressed, this movement being assured not only by the release of the rock-bar G, but also by the stress of the spring I. In this downward movement of the arms H the coaction of the cam h^2 with the pin h^3 on the pivoted arm D turns such cam, and consequently the rock-shaft h, to which it is secured, thereby throwing the paper-stop fingers h' from the operative position, in which they are illustrated in Fig. 1, to inoperative position, where they are removed from the line of travel of the impression-paper fed through the machine.

As will be seen, the movements of the paper-stop and of the paper-stripper are interdependent. When one is in operative position, the other is necessarily in inoperative position, this being required by the office which each performs in the stencil-printing operation.

It is obvious that many modifications may be made in the specific embodiment of the invention herein shown and described without departing from the spirit of the invention. For example, the paper-stopping device instead of taking the form of the separated arms h' may take the form of a bar extending continuously across the line of travel of the sheet. This will be so readily understood that the suggested change is not illustrated in the drawings.

Having now described my invention, what I claim as new therein, and desire to secure by Letters Patent, is as follows:

1. In a stencil-printing machine, the combination with a frame and a drum supported thereby and carrying a stencil-sheet, of a paper-stop and paper-stripper in operative relation to said drum, a connection between said paper-stop and paper-stripper and means for operating them simultaneously, substantially as set forth.

2. In a stencil-printing machine, the combination with a frame and a drum supported thereby and carrying a stencil-sheet, of a paper-stop and paper-stripper in operative relation to said drum, means carried by said drum for operating the same, and mechanism intermediate of said paper-stop and paper-stripper and coacting with said means for securing simultaneous operation of said paper-stop and paper-stripper, substantially as set forth.

3. In a stencil-printing machine, the combination with a frame and a drum supported thereby and carrying a stencil-sheet, of a rock-shaft and actuating mechanism therefor, a paper-stop mounted upon said rock-shaft and means carried by the drum for operating said actuating mechanism to throw said paper-stop into and out of operative position, substantially as set forth.

4. In a stencil-printing machine, the combination with a frame and a drum supported thereby and carrying a stencil-sheet, of a paper-stop mounted upon a rock-shaft, a cam coacting with said stop and shaft, and means actuated by said drum and coöperating with said cam to move said paper-stop to operative and inoperative positions, substantially as set forth.

5. In a stencil-printing machine, the combination with a frame and a drum supported thereby and carrying a stencil-sheet, of a rock-shaft, means for varying the relation thereof to said drum, a paper-stop mounted upon said rock-shaft, and mechanism, controlled by said drum, for throwing said paper-stop to operative or inoperative position simultaneously with changes in the relation of said rock-shaft to said drum, substantially as set forth.

6. In a stencil-printing machine, the combination with a frame and a drum supported thereby and carrying a stencil-sheet, of a paper-stop mounted upon a rock-shaft and coacting with a pin in fixed position rela-

tively thereto, said cam and pin being brought into operative relation by the movement of said drum to throw said paper-stop to operative or inoperative position, substantially as set forth.

7. In a stencil-printing machine, the combination with a frame and a drum supported thereby and carrying a stencil-sheet, of a paper-stripper and means for operating the same, and a paper-stop movable with said paper-stripper, substantially as set forth.

8. In a stencil-printing machine, the combination with a frame and a drum supported thereby and carrying a stencil-sheet, of a paper-stripper, means for operating the same, a paper-stop carried by an appurtenance of said paper-stripper, and means whereby said paper-stop will be thrown to inoperative position when said paper-stripper is thrown to operative position, substantially as set forth.

9. In a stencil-printing machine, the combination with a frame and a drum supported thereby and carrying a stencil-sheet, of a paper-stripper movably mounted in said frame, a paper-stop carried by a rock-shaft supported in arms depending from said paper-stripper, a cam for operating said paper-stop, and means carried by said drum for operating said paper-stripper and said paper-stop, substantially as set forth.

This specification signed and witnessed this 11th day of September, 1903.

ALBERT B. DICK.

Witnesses:
M. H. BURKART,
R. R. HARRINGTON.

48

No. 749,983. PATENTED JAN. 19, 1904.

A. B. DICK.

STENCIL PRINTING MACHINE.

APPLICATION FILED AUG. 1, 1903.

NO MODEL. 2 SHEETS—SHEET 1.

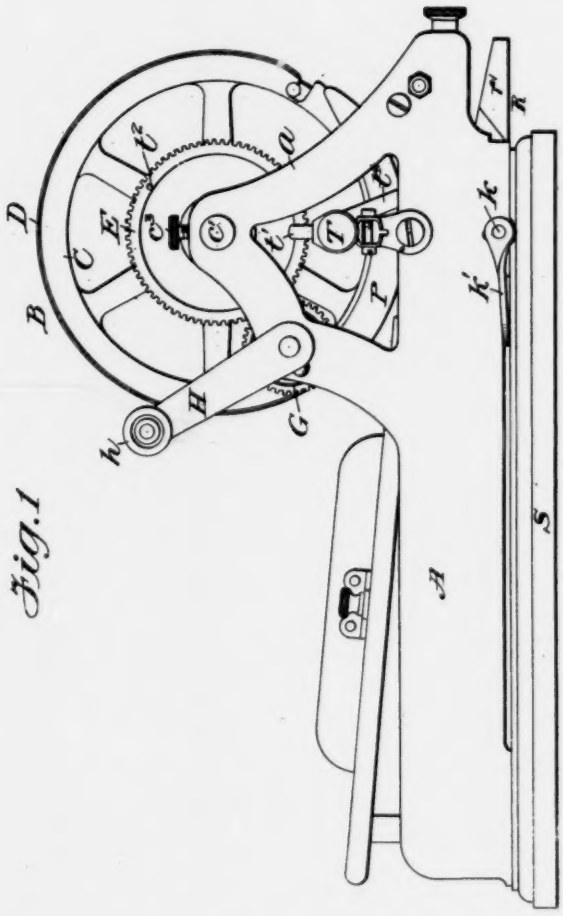

Fig. 1

Witnesses
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S. Gr. Intorh

Inventor
Albert B Dick
By his Attorney
J. J. Edmonds

THE NORRIS PETERS CO., WASHINGTON, D. C.

49

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A. B. DICK.

STENCIL PRINTING MACHINE.

APPLICATION FILED AUG. 1, 1903.

NO MODEL. 2 SHEETS—SHEET 2.

Fig. 5

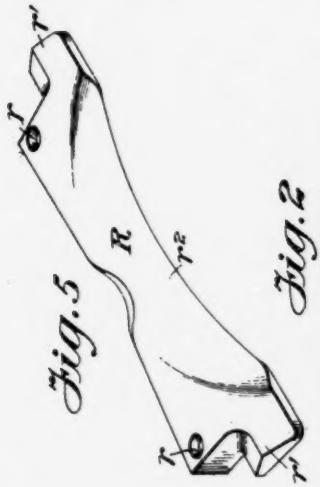


Fig. 2

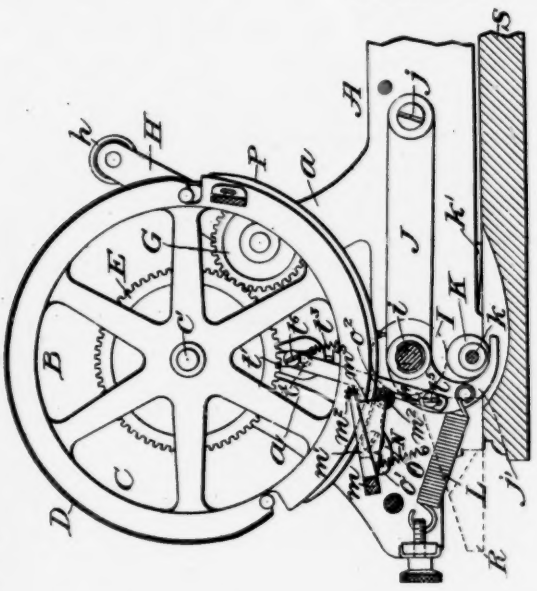


Fig. 4

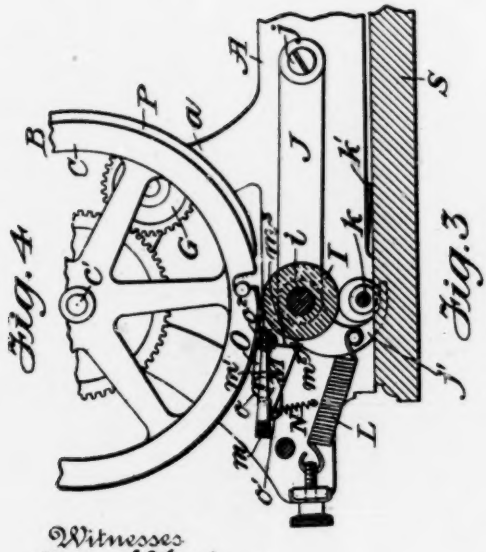
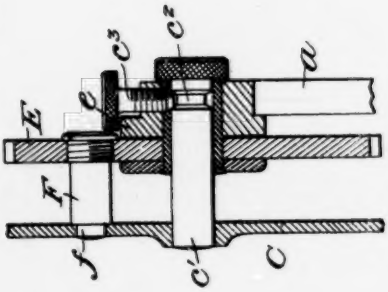


Fig. 3



Witnesses
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L. M. S. Dutch

Inventor
Albert B. Dick
By his Attorney
J. P. Edmunds

THE NORRIS PETERS CO., WASHINGTON, D. C.

No. 749,983. Patented January 19, 1904.

UNITED STATES PATENT OFFICE.

ALBERT B. DICK, OF CHICAGO, ILLINOIS, ASSIGNOR TO A. B. DICK COMPANY, OF CHICAGO, ILLINOIS, A CORPORATION OF ILLINOIS.

STENCIL-PRINTING MACHINE.

SPECIFICATION forming part of Letters Patent No. 749,983, dated January 19, 1904.

Application filed August 1, 1903. Serial No. 167,900. (No model.)

To all whom it may concern:

Be it known that I, ALBERT B. DICK, a citizen of the United States, residing at Chicago, in the county of Cook and State of Illinois, have invented a certain new and useful Improvement in Stencil-Printing Machines, of which the following is a description.

This invention relates to that class of duplicating apparatus in which are employed a perforated drum mounted in suitable heads, a stencil-sheet on the periphery of said drum, and means for imparting movement to said drum in order to bring the surface of the stencil upon the same in contact with the impression-paper to be printed upon.

The object of the invention is to simplify the construction of apparatus of this general type and to increase its efficiency, particularly with regard to the means employed for properly locating the impression-paper relatively to the drum; for stripping such paper from the drum after it has been printed upon, for moving the pressure-roller by means whereof said sheet is pressed against the drum into and out of operative position, and for securing the neat and orderly delivery of the impression-paper from the machine after the printing operation.

In carrying out this invention I provide a perforated drum mounted in suitable heads, the whole being rotated (or oscillated) by any suitable mechanism—as, for instance, a crank-arm and gearing. Below this drum I employ a pressure-roller mounted upon hinged arms and acted upon by springs tending to force said pressure-roller upward and into contact with said drum. In conjunction with these hinged arms I employ a shaft extending through the frame of the machine and provided with a handpiece for throwing the impression-roller into and out of operative position. Said shaft is provided near each end with cams, which upon turning said handpiece simultaneously act upon said hinged arms, thereby depressing said impression-roller (or moving it out of operative relation to the drum) smoothly and uniformly from end to end, the depressing effect of the cams being applied simultaneously and to both of the hinged arms in which the roller is mounted.

An automatically-operating combined paper stop and stripper is employed, which is preferably actuated by an appurtenance of the drum, consisting in a preferred form of a cam coacting with a lever to tilt the combined paper stop and stripper, so that in one position it shall lie in position to determine the degree of forward traverse of the impression-paper and thereafter shall occupy a position where it will strip said paper from the periphery of the drum (to which it would otherwise stick) and cause it to pass out of the machine. As such sheet is stripped from the periphery of the drum it falls upon a delivery-plate, the upper surface whereof is concave in form, thereby giving similar curvature to the sheet as it passes from the machine. Due to this the sheet will not fold or roll transversely, the longitudinal depression formed therein by such concave delivery-plate assuring its passage out of the machine and into the paper-tray in substantially flat form.

The invention is illustrated in the accompanying drawings, in which I have illustrated a form in which the improved apparatus may be advantageously employed in connection with certain automatic paper-feeding apparatus devised by me, and which has been made the subject of another application filed concurrently herewith.

In said drawings, Figure 1 is a side elevation of a stencil-duplicating machine embodying my invention. Fig. 2 is a vertical central section of the main portion thereof, including the parts above referred to and illustrating the combined paper stop and stripper in stripping position. Fig. 3 is a sectional detail illustrating the manner in which the drum is mounted in the side frame. Fig. 4 is a vertical central section similar to Fig. 2, but illustrating the combined paper stop and stripper in paper-stopping position and the recording mechanism being omitted. Fig. 5 is a perspective view illustrating the delivery-board over which the sheets are fed to the receiving-tray.

Referring to the drawings, in which similar letters denote corresponding parts, A designates the side members of the frame provided with upwardly-extending arms or brackets *a*, in which is mounted the drum B. This drum is here shown as comprising the heads C, united by a perforated diaphragm D, over which the stencil-sheet may be placed, as hereinafter described. The heads C are mounted in short shaft-sections *c'*, journaled in the upwardly-extending arms or brackets *a*.

E designates a gear mounted upon a boss *e*, secured to or formed integral with one of the upwardly-extending arms or brackets *a*. The shaft-section *c'*, upon which the head C is mounted, extends through this boss and into an orifice in the center of said head. Said shaft-section *c'* is provided with the annular groove c^2, into which projects the head of the set-screw c^3, entering the upper end of the arm or bracket *a*, as clearly shown in Fig. 3.

F designates a connecting-screw, threaded near its head for engagement with a correspondingly-threaded orifice in the gear E and provided at its end with a tooth *f*, coacting with an orifice of corresponding size in the head C, this giving to said head a movement upon the shaft-section *c'* corresponding with the movement of said gear E.

G designates a gear, also mounted in the upwardly-extending arm or bracket *a* and meshing with the gear E.

H designates a crank-arm, here shown as provided with handle *h* and mounted upon and secured to the shaft of the gear G and by means whereof motion is transmitted to said gear, the gear E, and the drum.

I designates the pressure-roller, between which and the drum the paper is passed to be printed upon by the stencil on said drum. Said roller, the periphery whereof is preferably of rubber, is carried by a shaft *i*, the ends whereof are supported in journals carried by or formed integral with hinged arms J, pivoted at *j* to the inner surface of the side members A of the frame. Said journals are open at their upper portions in order that the shaft *i* may be dropped therein or removed therefrom at will. The end of each of the arms J is curved downward and backward, as shown at *j'*, for coaction with cams K, carried by the shaft *k*, the ends of said shaft being journaled in the side members A of the frame. One end of said shaft extends through one of the side members A and is provided outside such side member with a handpiece *k'*, by means whereof said shaft *k* and the cams K carried thereby may be rotated. As will readily be seen, said cams K in being rotated by the shaft *k* coact with the downwardly-curved portions *j'* of the hinged arms J to depress said arms, and therefore the impression-roller I mounted therein.

L designates a coil-spring, there being one of these for each of the hinged arms J. One end of each of the coil-springs L is secured to the free end of a hinged arm J, its other end being secured to an adjusting-screw, whereby the tension of said spring may be varied. These springs L tend to raise the spring-arms J, and therefore to keep the impression-roller I in engagement with the surface of the drum when the cams are in the position in which they are illustrated in Figs. 2 and 3.

M designates the combined paper stop and stripper. In a preferred form of this, such as that illustrated in the drawings, a bar *m* is employed, the ends whereof are mounted in the side members A of the frame. Intermediate of its ends and either secured to or formed integral with the said bar are arms *m'*, (here shown as two in number,) extending toward and terminating in close proximity to the impression-roller I. These arms are provided with downwardly-extending webs, the extreme edges m^3 whereof are approximately vertical. At the upper and lower angular corners each of the arms is provided with a star-wheel m^4, the purpose whereof will presently be described. I prefer that the upper angular corner shall extend somewhat in advance of the approximately vertical edge m^3 in order that the sheet of paper fed into the machine shall have its forward movement (before printing) terminated by engagement with said edge m^3 and be precluded from riding over the upper angular corner bearing the star-wheel m^4.

N designates a spring at each side of the machine, the lower end whereof is suitably secured to the frame and the upper end whereof is secured to the under side of the bar *m* at one side of the pivotal point of the latter, said springs exerting a downward pull upon said bar to throw the arms *m'* into paper-stripping positi[on] Fig. 4.

O designates a rocking lever for the combined paper stop and stripper. This is pivoted intermediate of its ends at *o*. The end *o'* of the rocking lever O lies under and coacts with the edge of the bar *m*, so that when this end is elevated said bar and its attached or integral arms *m'* are raised to paper-stopping position, in which they are shown in Fig. 2. The other end of said rocking lever O is provided with a sheave o^2, lying in the path of movement of a cam P, secured to the edge of the head C of the drum.

R designates a paper-delivery plate. This may be of wood and secured to the base S of the machine or of sheet-steel having angular ends for attachment to the side members A of the frame. It is shown in the drawings as a block having perforations *r* for attachment to the base S of the machine and ears *r'* extending under the ends of the side members A of the frame. Intermediate of its ends said delivery-plate is provided with the concavity r^2. The exact shape and degree of curvature of this concavity are immaterial, the object being merely to impart approximately similar curvature to the sheets of paper as they are

stripped from the machine and fall into the delivery-tray. (The latter not shown.) Heretofore difficulty has been experienced in the delivery of these sheets, owing to their tendency to fold or roll transversely. When this occurs with one sheet, the succeeding sheet fed into the receiving-tray is liable to fall on the rounding surface of the sheet below and to slide therefrom to the floor instead of being received and retained in said tray.

T designates a cyclometer, here shown as secured to one of the side members A of the frame and having its operating-shaft or pintle t extending inward toward the drum of the machine.

t' designates a lever connected with said shaft t, its upper end extending into the path of movement of a pin t^2 upon the side of the gear E.

t^3 designates a coil-spring, the lower end whereof is secured to the side member A of the frame, the upper end thereof being secured to said lever t' below its pivotal point. As will readily be seen, the coaction of the pin t^2 and the upper end of the lever t' will rock or partially rotate the actuating-shaft or pintle t of the cyclometer, thereby causing the proper registration of the number of movements of said drum.

t^4 designates a link, the lower end whereof is pivoted at t^5 to one of the hinged impression-roller arms J, its upper end being pivoted at t^6 to the lever t' above the pivotal point of the latter. It therefore follows that when the handpiece for actuating the impression-roller is thrown to move said roller to inoperative position (out of contact with the drum) the downward movement of the hinged arm J will, by means of the link t^4, rock the lever t' upon its pivotal point, so as to throw the upper end thereof out of the path of travel of the pin t^2 on the gear E. It follows, therefore, that when the impression-roller is in inoperative position (as when inking the drum, oiling, &c.) the cyclometer is not in operative relation to the mechanism and that only upon throwing the handpiece so as to raise said impression-roller to operative position will said cyclometer again be brought into operative relation to the mechanism.

In operation the periphery of the drum is preferably provided with a pad, which may be secured in place by cross-rods engaging with recesses in the heads C. Over this the stencil is attached in any suitable manner. The ink may be applied to the interior of the drum either by a brush, an inking-roller, or other means. Obviously when the impression-paper and the stencil are brought into contact under pressure ink will be forced through the writing on such stencil and upon such paper in the usual manner. In accomplishing this result by means of the apparatus hereinbefore described the handpiece k' of the pressure-roller mechanism is moved to the position in which it is illustrated in the drawings, thereby elevating such roller to operative position relatively to the drum. Said drum is then rotated and simultaneously the sheets of impression-paper fed successively down the feed-board and toward the printing mechanism. The construction and arrangement of the combined paper stop and stripper are such that when the stencil-covered surface of the drum is out of operative relation to the pressure-roller—that is, during the time that the sheets are being fed into the machine—said combined stop and stripper will assume its paper-stopping position, as shown in Fig. 2, being brought to this position by the coaction of the cam P with the sheave o^3. In this position the vertical edge m^3 of the stop directly opposes the passage of the impression-paper through the machine. Said paper, therefore, on being passed toward the printing mechanism is brought to a stop when its forward edge after passing over the pressure-roller strikes the vertical edge m^3 of the paper-stop, thereby definitely locating the point on such paper where the printing will begin. The rotation of the drum being continued, the cam P passes out of engagement with the sheave o^3 of the rocking lever O, whereupon under the influence of the spring N the combined stop and stripper is permitted to assume stripping position, as shown in Fig. 4. Here the forward free ends of the arms m' are depressed, so that the upper star-wheels shall lie between the drum and the advancing forward edge of the sheet, thereby preventing the latter from adhering to the former. But for the star-wheels the printed surface of the sheet would be brought into contact with the forward ends of the arms m'. This would streak the printed surface along the lines of impact. The star-wheels, however, keep these surfaces out of contact, and therefore avoid injury to the printed surface.

As the printed sheet passes out from between the strippers and the pressure-roller it falls upon the delivery-plate R, the concavity r^3 in which imparts a corresponding longitudinal curvature to the sheet, whereby the latter is permitted to pass out of the machine and into the paper-tray smoothly and without folding transversely or doubling.

While the pressure-roller is in operative position, as illustrated in the drawings, each time the drum is rotated the pin t^2 on the gear E is brought into contact with the lever t' of the cyclometer T. Since each rotation of the drum results in the production of a print from the stencil carried thereby, the number of prints so produced may readily be determined at any time by the means described.

Having now described my invention, what I claim as new, and desire to secure by Letters Patent, is—

1. In a stencil-printing machine, the combination with a stencil and means for sup-

porting and moving the same, of a combined paper stop and stripper in operative relation thereto, substantially as set forth.

2. In a stencil-printing machine, the combination with a stencil and means for supporting and moving the same, of a combined paper stop and stripper in operative relation thereto, and means for moving the same to paper-stopping and paper-stripping positions, substantially as set forth.

3. In a stencil-printing machine, the combination with a stencil and means for supporting and moving the same, of a combined paper stop and stripper in operative relation thereto, and means for automatically moving the same to paper-stopping and paper-stripping positions, substantially as set forth.

4. In a stencil-printing machine, the combination with a stencil and means for supporting and moving the same, of a combined paper stop and stripper in operative relation thereto, and means controlled by the stencil supporting and moving mechanism for operating the same, substantially as set forth.

5. In a stencil-printing machine, the combination with a frame, of a stencil-carrier and means for operating the same, a combined paper stop and stripper mounted in said frame and mechanism for moving the same to stopping and stripping positions, substantially as set forth.

6. In a stencil-printing machine, the combination with a frame, of a stencil-carrier and means for operating the same, a combined paper stop and stripper pivotally mounted in said frame and mechanism for moving the same to stopping and stripping positions, substantially as set forth.

7. In a stencil-printing machine, the combination with a frame, of a stencil-carrier and means for operating the same, a combined paper stop and stripper, and operative connections between the same and said stencil-carrier and its operating means, substantially as set forth.

8. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a combined paper stop and stripper comprising movable arms in juxtaposition to said stencil-carrier and means for operating said arms, substantially as set forth.

9. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a combined paper stop and stripper comprising pivotally-mounted arms in juxtaposition to said stencil-carrier and means for operating said arms, substantially as set forth.

10. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a combined paper stop and stripper comprising pivotally-mounted arms in juxtaposition to said stencil-carrier and provided with star-wheels and means for operating said arms, substantially as set forth.

11. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a combined paper stop and stripper comprising movable arms in juxtaposition to said stencil-carrier, and operative connections between said paper stop and stripper and said stencil-carrier, substantially as set forth.

12. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a combined paper stop and stripper comprising a pivotally-mounted bar and arms carried thereby in operative relation to said stencil-carrier, and means for moving said bar and arms into paper-stopping and paper-stripping positions, substantially as set forth.

13. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a combined paper stop and stripper comprising a pivotally-mounted bar and arms carried thereby in operative relation to said stencil-carrier, and means for automatically moving said bar and arms into paper-stopping and paper-stripping positions, substantially as set forth.

14. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a combined paper stop and stripper comprising a pivotally-mounted bar and arms carried thereby in operative relation to said stencil-carrier, and a cam carried by said stencil-carrier and coacting with said bar and arms, substantially as set forth.

15. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a combined paper stop and stripper comprising a pivotally-mounted bar and arms carried thereby in operative relation to said stencil-carrier, and a cam carried by said stencil-carrier and coacting with said bar and arms through the medium of a rocking lever, substantially as set forth.

16. In a stencil-printing machine, the combination with a stencil and means for operating the same, of a pressure-roller and a combined paper stop and stripper in operative relation to said stencil and said roller, substantially as set forth.

17. In a stencil-printing machine, the combination with a stencil and means for operating the same, of a pressure-roller mounted in movable arms having curved ends, a shaft, and cams mounted on said shaft adjacent to said arms and coacting therewith to move said roller into and out of operative relation to said stencil, substantially as set forth.

18. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a recording device, a pressure-roller mounted upon

hinged arms, means for throwing said roller into and out of operative relation to said stencil-carrier, and a connection between said roller and said recording device, substantially as set forth.

19. In a stencil-printing machine, the combination with a stencil-carrier and means for supporting and moving the same, of a recording device, a pressure-roller mounted upon hinged arms, and a connection between said arms and said recording device, whereby both may be simultaneously moved to operative or inoperative position, substantially as set forth.

20. In a stencil-printing machine, the combination with a rotary stencil-carrier and a pressure-roller, of means for supporting and operating the same to produce prints from a stencil on said carrier, and stationary paper-guides rearward of said stencil-carrier and pressure-roller but in juxtaposition thereto and adapted to receive sheets from said carrier and roller and to curve the same between their edges in their passage from the machine, substantially as set forth.

21. In a stencil-printing machine, the combination with a stencil, means for supporting and moving the same and a pressure-roller coacting with such supporting means, of a paper-stripper having an arm or arms movable to operative and inoperative positions and terminating in juxtaposition to said pressure-roller and supporting means, the ends of said arm or arms being provided with star-wheels, substantially as set forth.

This specification signed and witnessed this 26th day of June, 1903.

ALBERT B. DICK.

Witnesses:
W. G. ARNOLD,
R. R. HARRINGTON.

15

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JAMES H. McKENNEY,
Clerk.

Supreme Court of the United States.

OCTOBER TERM, 1910.

No. 20.

SIDNEY HENRY ET AL.,
Defendants-Appellants

vs.

A. B. DICK COMPANY,
Complainant-Appellee.

ADDITIONAL BRIEF FOR APPELLANTS.

ANTON [illegible] KNAUTH,
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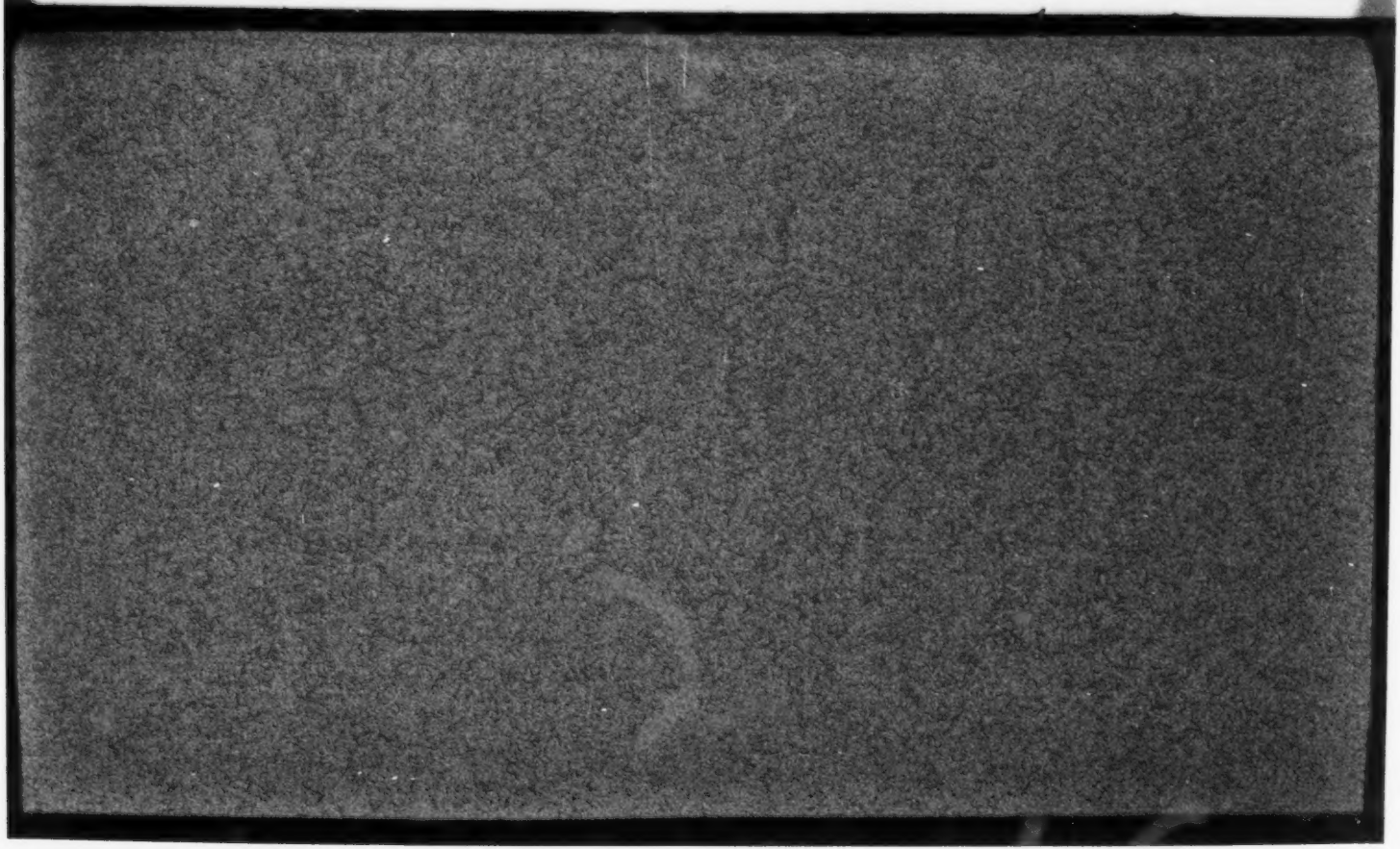

Supreme Court of the United States,

OCTOBER TERM, 1910.

SIDNEY HENRY *et al.*, Defendants-Appellants, vs. A. B. DICK COMPANY, Complainant-Appellee.	No. 175.

Additional Brief for Appellants.

By Mr. ANTONIO KNAUTH.

The case presents the naked question of patent infringement certified by the Circuit Court of Appeals. It derives its importance both from the prevailing uncertainty concerning the question of law involved in the certificate and also from the modern tendency of patentees, evidenced by numerous decisions, to create monopolies by so-called restriction clauses concerning matters and things not covered by their patents. In discussing the questions of law involved in this matter, we shall contend:

1st. That the "License Restriction" on the sale of the article is void at common law, being in conflict with the absolute property right vested in the purchaser of the machine, Miss Skou.

2nd. That the patent statute does not interfere with the working of this rule of the common law as applied to patented articles which have been sold by the patentee by an absolute sale passing the title, not conditionally, but absolutely.

3rd. That the condition is void, because unreasonable and tending to create an unlawful, permanent monopoly in the patentee in something which is not protected by his patent.

POINT I.

The attempted restriction on the sale of the article is void at common law.

At common law, the sale of an article passes the entire unrestricted right of property in it which is not affected as such by an agreement between the parties that the article sold shall be used in a certain manner. The parties may, of course, make any agreement between themselves as to what shall be done, or shall be left undone, with reference to the article, in the same manner as they might make an agreement about an article the property right of which had already passed to the purchaser. Such agreements, however, must stand on their validity as contracts, and will be subject to all the rules of the common law and statute law concerning the validity of such contracts, as to the manner of execution, substance and form. Aside from such special contract, an agreement that the article shall be used only in a certain manner, can be made only by way of lease of the article, terminating the lease upon condition broken, or by way of conditional sale, by the breach of which the title reverts to the seller.

According to the so-called license restriction, the machine in question was sold to the purchaser by an ordinary, absolute sale. Upon breach of the condition, the machine remained the property of the purchaser, no reverter to the seller being provided for, but the contention is that its use is restricted in the hands of the purchaser, and that a use in violation of the words of the license constitutes an infringement of the patent, to which the defendants contribute by having induced such use.

We do not expect that it will be argued that the license involves a conditional sale in the sense of the common law, namely, an agreement that upon a use of the machine contrary to the license, the title shall revert and the machine become the property of the A. B. Dick Company again, because this contention would militate against the well settled rule that conditions of this kind will not be implied in the grant of property.

> *"It has been suggested by the Attorney-General that though there was no express condition in the grant, one was implied from the consideration being in part the erection of a saw mill. But we cannot attach any condition to a grant of absolute property in the whole quantity."*
>
> *United States* vs. *Segui*, 10 Peters, 306.

> *"If a condition could be implied, it would be so inconsistent with an absolute grant in terms, that it could not for a moment have any weight against it."*
>
> *United States* vs. *Rodman*, 15 Peters, 130, 139.

> *"And in any case, a mere stipulation in a deed that the grantee shall do or abstain from doing a particular act is not to be regarded as a condition; the law presuming that the grantor relied upon the personal*

responsibility of the grantee instead of any security which a condition would afford. The construction is, therefore, always against conditions where the language will admit of it, and the grantee will have the benefit of all doubts."

Merrifield vs. *Cobleigh,* 4 Cushing, 178. See also

Packard vs. *Ames,* 16 Gray, 327;

American & English Encyclopedia, Vol. 6, p. 438, Note 5.

By the common law, the absolute property in the article which passes upon an ordinary sale "denotes a full and complete title and dominion over it," which is incompatible with a continued control over it in some shape, manner or respect by the seller of the article.

Kent's Commentaries (14th Ed.), Vol. 2, p. 347;

Blackstone's Commentaries (4th Ed.), Vol. 2, pp. 1, 389, 446, 154.

"If the goods have been delivered into the actual possession of the buyer, all right on them is gone."

Benjamin on Sales, 6th Ed., p. 746.

The only kind of conditional sale known to our law is a sale in which the transfer of title to the things sold to the purchaser, or his retention of it, is made dependent upon the performance of some condition. The chief point of distinction between a condition subsequent and a covenant is that a breach of the former subjects the estate to a forfeiture; a breach of the latter is a ground for damages.

American & English Encyclopedia of Law, Vol. 6, p. 503;

Jewett vs. *Lincoln,* 14 Maine, 116;

Green vs. *Bennett,* 23 Michigan, 464.

In the case of *Park* vs. *Hartman*, 153 Fed. Rep., 24, the Circuit Court of Appeals for the Sixth Circuit, speaking through Judge Lurton, at considerable length discussed the effect of a contract by which it was intended to maintain the price charged for certain articles, even when resold by retailers. The transactions described in the bill constituted sales of the complainant's medicines by which the general title passed to every purchaser and sub-purchaser. The Court said:

> "The case must therefore turn upon the legality of the restrictions imposed by the complainant in sales which passed the general property in chattels, as well as the possession, and provide for no reverter."

After analyzing the transaction, the Court said further:

> "The restrictions imposed by complainant upon sales and resales, if valid at all, are only so, because they constitute personal contracts upon which an action will lie only against the contracting party (citing) *Garst* vs. *Hall & Lyon Company*, 179 Mass., 588."

While dealing directly with a condition imposed upon a *resale* of the article, the Court also treated the subject more broadly by saying:

> "It is also a general rule of the common law that a contract restricting the use, or controlling sub-sales, cannot be annexed to a chattel so as to follow the article and obligate the sub-purchaser by operation of notice. A covenant which may be valid and run with land, will not run with or attach to a mere chattel (citing) *Spencer's Case*, 3rd Resolution, 5 Coke, 16; *Wald's Pollock on Contracts* (3rd Ed.), 278; *Splidt* vs. *Bowles*, 10 East, 279, 282; *Smith* vs. *Williams*, 117 Georgia, 782; *Prater* vs. *Campbell*, 110 Kentucky, 23; *Appolinaris Com-*

> *pany* vs. *Scherer* (C. C.), 27 Fed., 18, 21; *Garst* vs. *Hall & Lyon Company*, 179 Mass., 588; *Taddy Company* vs. *Sterious & Co.*, 73 Law Journal, 904; Ch. Div., page 191; *De Mattos* vs. *Gibson*, 4 De Gex & Jones, 276, 282."

The case of *De Mattos* vs. *Gibson*, cited by the learned Judge in this connection, is not an authority for the reasons stated by him in a later part of the opinion (p. 40).

On the authority of the case of *Taddy* vs. *Sterious*, 1 Chan., 354, cited by the learned Judge, it was held in England in the subsequent case of *McGruther* vs. *Pitcher*, 2 Chan., 306 (1904), that on the sale of goods a condition as to the price at which they may be resold cannot, in the absence of agreement, be imposed on the purchaser, even though he bought with notice of the condition, Romer, *L. J.*, saying (on p. 311):

> "a vender cannot, in that way, enforce a condition on the sale of his goods out and out and, by printing the so-called condition upon some part of the goods or on the case containing them, say that every subsequent purchaser of the goods is bound to comply with the condition, so that if he does not comply with the condition, he can be sued by the original vender. That is clearly wrong, you cannot in that way make conditions run with goods."

These views have been recently approved by this Court in its decision of the case of Dr. Miles Medical Co., Petitioner, against John D. Parks & Sons Company, decided April 3, 1911, in which Mr. Justice Hughes, speaking for the Court, quotes the phrase in Coke on Littleton, paragraph 360:

> "If a man be possessed * * * of a horse or of any other chattel, real or per-

> sonal, and give or sell his whole interest or property therein, upon condition that the donee or vendee shall not alien the same, the same is void, because the whole interest and property is out of him, so that he hath no possibility of a reverter; and it is against trade and traffic and bargaining and contracting between man and man."

This Court added:

> "Nor can the manufacturer by rule and notice, in the absence of contract or statutory right, even though the restriction be known to purchasers, fix prices for future sales. It has been held by this Court that no such privilege exists under the copyright statutes, although the owner of the copyright has the sole right to vend copies of the copyrighted production."

After citing

> *Bobbs-Merrill Co.* vs. *Straus,* 210 U. S., 339,

and quoting from it, the opinion further continues:

> "It will hardly be contended, with respect to such a matter, that the manufacturer of an article of commerce not protected by any statutory grant is in any better case. * * * Whatever right the manufacturer may have to project his control beyond his own sales, may depend not upon an inherent power incident to production and original ownership, but upon agreement."

POINT II.

The Patent Statute does not interfere with the working of the rule of the common law as applied to patented articles which have been sold by the patentee by an absolute sale passing the title, not conditionally, but absolutely.

This contention seems to us to follow from the decisions of this Court in the following cases:

Wilson v. *Rousseau*, 4 Howard, 646.
Bloomer v. *McQuewan*, 14 Howard, 539-549.
Bloomer v. *Millinzer*, 1 Wallace, 349.
Chaffee v. *Boston Belting Co.*, 22 Howard, 217-222.
Goodyear v. *Beverly Rubber Co.*, 1 Clifford, 348-354.
Mitchell v. *Hawley*, 16 Wallace, 544-547.
Adams v. *Burke*, 17 Wallace, 453.
Webber v. *Virginia*, 103 U. S., 344, 348.
Paper Bag Cases, 105 U. S., 766.
Hobbie v. *Jennison*, 149 U. S., 355.
Morgan Envelope Co. v. *Albany Paper Co.*, 152 U. S., 425.
Keeler v. *Standard Folding Bed Co.*, 157 U. S., 659.

Although it must be admitted that the question, whether a mere notice on the article restricting the right of sale by conditions as to price, can be enforced under the patent law in the absence of any

agreement made by the purchaser, has not been decided by this Court.

Bobbs-Merrill Co. v. *Straus*, 210 U. S., 339, on page 343.

In the case of Keeler *v.* Standard Folding Bed Co., above cited, Mr. Justice Shiras, delivering the opinion of the Court, reviewed the principal authorities among those above cited and stated what had been decided thus far as follows:

> "This brief history of the cases shows that in *Wilson* v. *Rousseau*, 4 How., 646, and cases following it, it was held that, as between the owner of a patent on the one side, and a purchaser of an article made under the patent on the other, the payment of a royalty once, or, what is the same thing, the purchase of the article from one authorized by the patentee to sell it, emancipates such article from any further subjection to the patent throughout the entire life of the patent, even if the latter should be by law subsequently extended beyond the term existing at the time of the sale, and that in respect of *the time* of enjoyment, by those decisions the right of the purchaser, his assigns or legal representatives, is clearly established to be entirely free from any further claim of the patentee or any assignee; that in *Adams* v. *Burke*, 17 Wall., 453, it was held that, as respects *the place* of enjoyment, and as between the purchaser of patented articles in one specified part of the territory and the assignee of the patent of another part, the right once legitimately acquired to hold, use and sell will protect such purchaser from any further subjection to the monopoly; that in *Hobbie* v. *Jennison*, 149 U. S., 355, it was held that, as between assignees of different parts of the territory, it is competent for one to sell the patented articles to persons who intend, with the knowledge of the vendor, to take them for use into the territory of the other."

He then added:

> "Upon the doctrine of these cases we think it follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. Whether a patentee may protect himself and his assignees by special contracts brought home to the purchasers is not a question before us, and upon which we express no opinion. *It is, however, obvious that such a question would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws.*" (Italics ours.)

As the subsequent case of *Cortelyou* vs. *Charles E. Johnson & Co.*, 207 U. S., 196, was decided on the question of lack of proof as to notice of the restriction, it is no authority on the matter of the present inquiry, nor is it necessary to advert to decisions like Bement *vs.* Harrow Co., and others which have been distinguished in the decision of *Bobbs-Merrill Co.* vs. *Straus* above cited, as having been decided on contract, because a question of contract is not involved in this case.

In *Webber* vs. *Virginia*, above cited, on page 349, this Court quoting from its previous decision in *Patterson* vs. *Kentucky*, 97 U. S., 501, pointedly called attention to the distinction between the rights granted under the patent monopoly and the right in the specific article by saying:

> *"The right of property in the physical substance, which is the fruit of the discovery, is altogether distinct from the right in the discovery itself, just as the property in the instruments or plates by which copies of a map are multiplied is distinct from the copyright of the map itself."*

And again the enjoyment of the right in the discovery

> *"may be secured and protected by national authority against all interference; but the use of the tangible property which comes into existence by the application of the discovery is not beyond the control of State legislation simply because the patentee acquires a monopoly in his discovery."*

Although this language was used with reference to the general power of the State to have its laws applied to such tangible property produced under the patent monopoly, it would seem to follow likewise with irresistible force that the general rules of law established by the State laws must apply to the disposition of the tangible property thus created, so far as they relate to transfer of the same whether by contract, descent or otherwise. Whatever is a valid rule of sale of such property at the place where that property is sold must apply to it irrespective of the fact, whether the article is a patented article or an unpatented article. If in the language of Lord Coke, above quoted, the condition attached to the sale of a chattel is void, because the seller's whole interest and property is out of him without possibility of reverter,—this rule of law must apply to the chattel whether it is made under the protection of a patent or not.

It is only by a convenient figure of speech that we apply the word "patented" to an article produced under Letters Patent, while properly speaking it is the invention which is patented and not the article. The patentee's rights consisting merely in the power to exclude others in the employment of the invention in any form do not inhere in any article whatever. Having once produced anything, the patentee is in the possession of the article and has absolute control thereover in the same manner as the common law recognizes his absolute right of

property in any article. The Letters Patent by virtue of which he can prevent others from making similar articles do not and cannot extend his rights over the physical thing, because his rights in that comprise an absolute dominion over the same including the power to destroy it at his will and the power to transfer ownership in it in accordance with the laws of the country.

A patentee could not sell the article and by a restriction added to that sale make it a condition that the vendee shall not sell the article. There is no objection to his making a contract to that effect with the vendee, and likewise he may make any lawful contracts with the vendee concerning the use by him of the article. But all such so-called "restrictions" are mere personal contracts between the vendor and vendee enforcible by an action of damages or in whatever other manner a contract may be enforced, and do not by their breach bring the article back within the dominion and control of the patentee. They do not cause the monopoly of the patentee to once more extend to the article, after it has been taken out of that monopoly by the voluntary act of the patentee in selling the same. Any other construction or definition of the rights of the purchaser of a patented article under such a restriction would set at naught the rules of the common law which must be binding upon the parties to a contract of sale.

As was remarked by Mr. Justice Miller, deciding the case *in Re Brosnaham, Jr.*, in the Circuit Court, W. D. Missouri, W. D., 18 *Fed. Rep.*, 62.

> "It is to be observed that no constitutional or statutory provision of the United States was, or ever has been, necessary to the right of any person to make an invention, discovery or machine, or to use it when made, or to sell it to some one else. Such right has always existed and would exist now if all patent laws were repealed. It is

> a right which may be called a natural right, and which, so far as it may be regulated by law, belongs to ordinary municipal legislation; and it is unaffected by anything in the Constitution or patent laws of the United States. The sole object and purpose of the laws which constitute the patent and copyright system is to give to the author and the inventor a monopoly of what he has written or discovered, that no one else shall make or use or sell his writings or his invention without his permission; and what is granted to him is the exclusive right; not the abstract right, but the right in him to the exclusion of everybody else."
>
> (On p. 64.)

We submit that if the patentee desires to secure to himself the continued control over the use of the patented article in the hands of others, he may do so by leasing it upon suitable conditions, terminating the lease in case of a breach of the condition, or by selling it under conditional sale, providing that upon breach of the condition, the title to the article will revert to the patentee. In that case a use of the article in violation of the condition may terminate the lease or sale of the article which, in the case of such a sale, would become the property of the patentee again and a use thereof by the lessee or purchaser may constitute a violation of the patent for which an infringement suit may lie, Henry Bill Publishing Co. *vs.* Smythe, 27 F. R., 914. But this is the extent to which the patentee can deal with the article maintaining a control thereof after it has left his hands. He cannot make a sale with the condition attached that the article shall be used or disposed of in a certain manner, leaving the title, however, in the purchaser in case of a breach of the condition. Such a conditional sale would be an innovation in our system of jurisprudence, and if it should be permissible, all the rules of

sales of personal property could be disregarded by patentees on the plea that the patent monopoly secured to them a continued monopoly over the article created under the patent, in spite of the general rules of law applying to the transfer of personal property. This consequence does not seem to have been sufficiently brought to the attention of the courts below in many of the decisions which have treated of this matter with the result that there is a good deal of conflict and uncertainty in the decisions.

In the leading case in the courts below, *Heaton-Peninsular Button-Fastener Company* vs. *Eureka Specialty Company*, 77 F. R., 288, the Circuit Court of Appeals for the Sixth Circuit, speaking through (then) Judge Lurton, dealt with a license inscribed upon the machine entitled "Condition of Sale" and providing that upon a violation of the condition which was to use the machine only with fasteners made by the complainant, the title to the machine should immediately revert. This was a conditional sale under the rules of the common law and it was held that the complainant had a double remedy as well under its contract as also under the patent law, because the machine had not competely gone from the control of the patentee as by an absolute sale. We do not propose to argue now about the validity of the condition, although there is fair room for a difference of opinion in spite of the judicial weight attaching to the carefully considered language of the decision and the judges making the same. (See *Cortelyou* vs. *Charles E. Johnson & Co.*, 145 F. R., 933, where a majority of the judges in the Second Circuit say that if it were an original question, they might have been led to a different conclusion.) It is sufficient in order to distinguish the Peninsular decision to say that it was rendered upon a proper conditional sale at common law, while in the case

at bar, no such conditional sale is found; and further, that it was sustainable as an action on contract.

Edison Phonograph Company vs. *Kaufmann*, 105 F. R., 960 (C. C.), was decided upon the supposed authority of *Dickerson* vs. *Matheson*, 57 Fed., 524, and *Same against Tingling*, 84 Fed., 192, 195. But there is no true analogy between a purchase in a foreign country and importation of the article into this country, treated in those cases, and a purchase from the patentee in this country under "restrictions." It does not appear clearly from the reported decision what the wording of the restriction was.

In *Edison Phonograph Company* vs. *Pike*, 116 F. R., 863, Lowell, *D. J.*, referring to the words above quoted by us from this Court's decision in *Keeler* vs. *Folding Bed Company*, said:

> "If the last sentence means that the special contracts alluded to can be enforced only like any other contract, to wit, by an action at law for a breach, or by a bill in equity for specific performance, the dictum disposes of the case at bar (citing *Harrison* vs. *Maynard*, 10 C. C. A., 17, 61 Fed., 689), but it is not clear that the Supreme Court meant to exclude the possibility of a contract so drawn that by virtue of a special stipulation therein contained, a breach of the contract should, of itself, make the wrongdoer an infringer, who could be proceeded against under the patent laws. Some Circuit Courts of Appeal have gone much further than the Supreme Court."

After discussing *Dickerson* vs. *Matheson*, 57 Fed., 526, *Dickerson* vs. *Tingling*, 84 Fed., 192, the Heaton-Peninsular case above cited and other decisions, including also *Bement* vs. *Harrow Com-*

pany in this court, the learned Judge (Lowell) further said:

> "It is true that the Supreme Court in *Bement* vs. *Harrow Company* decided only that a restriction imposed by a patentee upon his vendee that the latter should keep up prices was legal. The Supreme Court did not decide that the restriction could be so drawn as to make one who violated it guilty of infringement. But this was decided in *Heaton-Peninsular Button-Fastener Company* vs. *Eureka Specialty Company* and the Supreme Court has cited that case with unqualified approval. I think, therefore, that this Court is bound to hold that the Eastern Talking Machine Company, by selling phonographs to the defendant in violation of its agreement with the complainant, became guilty of infringement, and that by reason of this sale, the patented phonographs so sold were no longer covered by the license originally granted to the Eastern Talking Machine Company."

The learned Judge overlooked that in the case before him there was no conditional sale, as in the Heaton-Peninsular case, but a condition attached to an absolute sale.

In view of the statements of this Court in the more recent decision of *Bobbs-Merrill Company* vs. *Strauss* (on p. 345), the statement of Judge Lowell concerning the approval by this Court of the broad doctrines laid down in the Heaton-Peninsular case must be considered doubtful. Inasmuch as the license contract before the Court in *Edison Phonograph Company* vs. *Pike* did not provide for a reversion of the article to the patentee in case of breach of the condition, we should say that the decision was erroneous. It must not be overlooked, however, that this license which provided that any violation of the restrictions "makes the seller or user an infringer of the Edison

patents" is different from the "license restriction" in the case at bar, which does not state what shall be the consequence, if the license is violated. On principle we see no distinction, because the parties could not contract that after a sale of the article, not conditional at common law, the article should again come under the control of the patent upon the happening of some event, and especially not under the partial control of the patentee by merely preventing a particular use of it; nor could the parties agree that the purchaser should become an infringer where there was no infringement in fact. Mere consent cannot confer jurisdiction upon the Court.

Wilson vs. *Sanford*, 10 How., 99.
Hartell vs. *Tilghman*, 99 U. S., 547.
Albright vs. *Teas*, 106 U. S., 613.

The case of *Victor Talking Machine Company* vs. *The Fair*, 123 F. R., 424, decided on demurrer by the Circuit Court of Appeals for the Seventh Circuit, relates to a restrictive notice attached to the article by the terms of which the purchaser accepted the condition not to use the article when sold at a less price than that marked thereon and containing the clause "all rights revert to the undersigned in the event of any violation." If these words can be construed to mean that the title to the machine reverted to the seller upon condition broken, the decision is not opposed to our contention, although the difficulty remains that in clauses of this kind the seller has to make his election whether he will treat the covenant as a covenant and sue for its breach, or whether he will treat it as a condition and recover the article itself. This distinction was very clearly pointed out in the case of *Green* vs. *Bennett*, 23 Mich., 464, which we understand to lay down correctly the general rule of law and in which, under a contract for the sale of

the wood and timber on certain lands, to be removed at certain specified times, it was held that if the contract be construed as making an absolute sale, the wood and timber remained the property of the purchaser, though not removed within the time provided, and the taking and removal of the same by the seller is a wrongful conversion for which the purchaser has a clear right of action, though he may be liable for a breach of his covenant to remove the same within the times specified. But if the contract be conditional, and the provision for the removal of the timber within the specified period is in the nature of a condition, instead of a covenant, then the purchaser, if the seller should insist upon the condition, would lose all right to the wood and timber not removed within the time specified, and the seller would have the right to insist upon this breach of condition, and hold the wood not thus removed, *and this would constitute his only security against, and remedy for, the failure to perform the condition.*

See also

American & English Encyclopedia of Law, Vol. 6, p. 437 and C. C.

As the complainant in *Victor Talking Machine Company* vs. *The Fair* evidently did not reclaim the machine itself, which would have made an end to the entire controversy, it elected to stand on the covenant, and the suit should have been treated as a suit on contract.

In the case of *Cortelyou* vs. *Charles E. Johnson & Company*, 138 F. R., 110, Ray, *J.*, broadly sustained the restriction and enjoined the defendant who had furnished ink for a neostyle machine to purchasers who had bought that machine under restriction from the patentee that it should be used only with ink made by him. Upon appeal, the Circuit Court of Appeals (145 F. R., 933) was divided

on the question whether that was a proper restriction, Coxe and Holt, *JJ.*, being of the opinion that it was not, while Townsend, *J.*, expressed the opinion that it was a proper restriction. We shall refer to this case again in the next point in our brief. The decision was reversed upon the insufficiency of the notice to the defendant and the appeal from the decision of the Circuit Court of Appeals was decided in this Court, 207 U. S., 196, upon the same ground.

In the decision of *A. B. Dick Co.* vs. *Henry*, 149 F. R., 424, which is this case, Ray, *J.*, erroneously cites the case of *Bement* vs. *Harrow Co.*, 186 U. S., 70, as an authority for the validity of the license restrictions before him, while this Court decided that case as one on contract, and the same Judge holds, on page 428, that the patentee may impose any restrictions upon the use of the articles sold by him, however ridiculous they may seem, while this Court uses the expression "reasonable restrictions."

In the decisions of *Crown Cork & Seal Company* vs. *Brooklyn Bottle Stopper Company* (C. C. E. D. of N. Y., Chatfield, *D. J.*), 172 F. R., 225, and *Same* vs. *Standard Brewery* (C. C. N. D. of Illinois, Sanborn, *D. J.*), 174 F. R., 252, it is assumed to be the settled law in the Circuit Courts (this Court not having adjudicated the question) that the manufacturer of patent machines may lawfully sell them under license contracts binding the purchasers to use the same only in connection with a certain appliance made by the seller and that a violation of such contract by a purchaser or by a second-hand purchaser having knowledge of such restriction will constitute an infringement of the patent. The decisions cited in these two cases show how far the Courts have gone in this direction and how the fundamental rules of law apply-

ing to sales and to the legal attributes of the right of property have been disregarded, on the supposition that the right of exclusive use, given to the patentee by the patent statute, enables him to control the use of the patented article even in the hands of a purchaser who remains in the continued possession of the article. The Court's citation from Walker on patents, paragraph 301, "restrictions in respect to methods or purposes of use may properly accompany any sale of a patented article" (174 Fed., on p. 258), and its further citation from the decision of this Court in *Bement* vs. *National Harrow Company* (a case on contract), show how the Courts have confused the principles announced by this Court in a case on contract with the principles applying to a suit for infringement of patent.

In *Brodrick Copygraph Company* vs. *Mayheu*, 131 Fed., 92, Seaman, *D. J.*, in the Circuit Court, E. D. Wisconsin, held that according to the settled doctrine in that Circuit the patentee is clearly within his right in imposing any terms of use in the sale of his patented articles, stating that the sales in question are not unrestricted, but are plainly limited or conditional in use (on p. 93). This shows how the Courts have been misled by the sound of the words, for the same may be said of the condition mentioned by Lord Coke attaching to the sale of a horse above mentioned, which condition the common law holds to be void.

Æolian Company vs. *Juclg Company*, 145 F. R., 939, and 155 F. R., 119, was decided in the same manner and upon the same notion that a patentee by virtue of the patent statute can make and enforce sales which an owner of unpatented property could not make and enforce.

We respectfully submit that that is a wholly mistaken notion as to the nature and extent of the rights conferred by the patent statute, and is

not supported by the decision of the Circuit Court of Appeals for the 6th Circuit in Rupp *vs.* Elliott, 131 F. R., 730, frequently cited in support of it, because in that case the machines were never SOLD, but placed in the hands of users under a license to use them only in a certain manner.

Again, it is a well settled rule that if the sale is to be considered a conditional sale which can be rescinded upon breach of the condition, the seller cannot rescind the contract and at the same time retain the benefits of the contract. He must, as a condition precedent to rescission, restore or offer to restore the price paid for the goods (Cyc. of Law & Procedure, Vol. 35, p. 144, and c. c.). In trying to enforce the license restriction by a suit which has for its object to prevent the use contracted against, the patentee is not rescinding the contract at all, but is enforcing the right given to him by the contract, implied from the terms of the restricted license. A rescission would have as an object to obtain the article again, but that is not what he seeks. He leaves the purchaser in possession of the article which the purchaser has paid for and asks the Courts to enforce the agreement which he has made with the purchaser and which is expressed in the "license restriction" attached to the article. That this is not a suit arising under the patent statute, but a suit arising from the contract and having for its object the enforcement of the contract seems manifest both on principle and on authority.

Excelsior Wooden Pipe Co. vs.
Pacific Bridge Co., 185 U. S., 282.

POINT III.

The license restriction is void because unreasonable and tending to create an unlawful, permanent monopoly in the patentee in something which is not protected by his patent.

It will be observed that no particular patent of the complainant is referred to in the license restriction, nor is, among the facts certified to the Court, the fact that either the purchaser of the machine or the defendant who furnished the ink, knew what patents the complainant held. The notice of restriction is not connected with any patent or patents, nor is there any time limit stated as to the obligation of the purchaser of the machine to buy the supplies for it only from the complainant, which supplies are not even completely enumerated, and may comprise oil, blotting paper, rollers, copying paper, and anything else which may be useful in the handling of the machine.

In the decision of *Cortelyou* vs. *Johnson*, the majority of the Circuit Court of Appeals in the Second Circuit have sufficiently argued the consequences which would follow from pushing the doctrine of contributory infringement to such limits as to comprise restrictions like that in the present case, to make it unnecessary to cite further illustrations. (145 Fed., 933, on p. 935.) From the decision of *Cortelyou* vs. *Johnson* we quote the last sentence of that argument, which seems to us to indicate the proper line of demarcation:

> "We incline to the opinion that the line should be drawn to include those articles which are either parts of a patented combination or device or which are produced for the sole purpose of being so used, and to exclude the staple articles of commerce."

This seems to us to be in harmony with the views of this Court expressed in the case above cited of *Morgan Envelope Company* vs. *Albany Paper Company*, 152 U. S., 425.

Machines like the mimeograph are not purchased with the amount of care and circumspection with which a piece of real estate is purchased, they are ordinary articles of trade like any other hand machines and the purchaser very likely either pays no attention to the notice of restriction, or if he does see it, will think that it is impossible to insist on such a condition, because the maker of the machines cannot possibly follow them into the hands of hundreds of thousands of purchasers to watch over their use.

Where is there any guarantee that the complainant will sell the supplies in question, and sell them at reasonable prices? Is the user of the machine in Florida to go to the complainant in Chicago, or wherever else the complainant may be, to purchase a can of ink for the machine, or paper, or anything else? While intending to buy the article and paying for it, is not his property right in it practically destroyed and put at the mercy of the complainant as the only value of the machine consists in its use? If this restriction is construed as a continuing obligation on the part of the purchaser, exceeding the term of one year, is it not clearly opposed to the Statute of Frauds?

The mere putting of these questions would seem to compel the answer that the restriction is utterly void and unenforceable.

We are not impressed with the argument made by Townsend, C. J., in his (partially) dissenting opinion in the case of *Cortelyou* vs. *Johnson*, 145 Fed., 933, on page 937, that by a properly worded contract in the form of a lease, all the advantages sought to be secured by the owner of the patent may be effectually protected and that consequently the sale could be likewise restricted. A properly

worded lease would have to contain the obligation of the seller to furnish the supplies in reasonable quantities and at reasonable prices, it would have to sufficiently specify them and would have to be signed by the lessee in order to be binding under the terms of the statute. This would make the disposition of the machines practically impossible, because the public wants to buy and not to lease such articles; but even admitting that by such a reciprocal contract the rights of the parties could be secured, it does not follow from that that this can be accomplished by a sale of the article in disregard of the rules of law applying to sales. It is well settled that:

> "A court of Equity should never by injunction imply obligations on one party, when there are no clear and definite obligations imposed upon the other party to the contract."
>
> *Lawrence* vs. *Dixey*, 119 App. Div. N. Y., 295;
>
> *Chicago Railroad Company* vs. *Dane*, 43 N. Y., 240;
>
> *Rafolovitz* vs. *American Tobacco Company*, 73 Hun, 87;
>
> *Jackson* vs. *Alpha Portland Cement Company*, 122 App. Div., N. Y., 345.

We maintain that the question put in the Certificate of the Circuit Court of Appeals should be answered in the negative.

Respectfully submitted,

ANTONIO KNAUTH,
Of Counsel for Appellants.

New York, September 20, 1911.

Supreme Court of the United States.

OCTOBER TERM, 1911.

No. 20.

SIDNEY HENRY ET AL.,
Appellants,

vs.

A. B. DICK COMPANY,
Appellee.

BRIEF FOR APPELLEE.

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Supreme Court of the United States.

SIDNEY HENRY, ET AL., Defendants-Appellants, vs. A. B. DICK COMPANY, Complainant-Appellee.	In Equity. October Term, 1911. No. 20.

BRIEF FOR COMPLAINANT-APPELLEE.

The Question Involved.

The certificate in this case raises the following concrete question: May a patentee license another to use his patented device only with supplies of the patentee's production, and, by suit for infringement, enjoin a third person who, with full knowledge of the scope of the license, wilfully procures the licensee to violate the same by using the device with supplies not of the patentee's production?

Another way of stating the question is this: A licensee under Letters Patent who violates his license by using the licensed device in an unauthorized manner, being, by reason of such act, an infringer, may the patentee, by suit in equity for infringement, restrain a third party who with full knowledge of the terms of the license, procures the unauthorized use, to the patentee's injury?

This question, various Circuit Courts and Circuit Courts of Appeals have, for more than ten years past and almost without exception, been answering in the affirmative in suits presenting essentially the very facts which that certificate concisely recites. These suits were brought either under the same patents as those here in issue, covering the Rotary Mimeograph, or under those covering a machine

of the same general character, marketed in the same way, and known as the Rotary Neostyle.

Moreover, the very Appellate Court which now propounds that question, itself gave an affirmative answer thereto nine years ago (*Cortelyou v. Lowe*, 111 Fed., 1005), being then, however, differently constituted.

In the Mimeograph and Neostyle cases alone, that question has been answered in the affirmative—

By the Circuit Court for the Southern District of New York (*Cortelyou v. Lowe*, decision unreported but see affirming decision of C. C. A., 111 Fed., 1005, also *Cortelyou v. Carter*, 118 Fed., 1022, *Cortelyou v. Johnson*, 138 Fed., 110, *Dick v. Henry*, 149 Fed., 424).

By the Circuit Court for the District of Rhode Island (*Brodrick Co. v. Roper*, 124 Fed., 1019).

By the Circuit Court for the Eastern District of Wisconsin (*Brodrick Co. v. Mayhew*, 131 Fed., 92, and *Dick Co. v. Milwaukee Co.*, 168 Fed., 930).

And by other Circuit Courts whose decisions have not been reported.

Also—

By the Circuit Court of Appeals for the Second Circuit (*Cortelyou v. Lowe*, 111 Fed., 1005), and

By the Circuit Court of Appeals for the Seventh Circuit (*Mayhew v. Brodrick Co.*, 137 Fed. 596).

In these cases, the question put by the certificate has been answered in the affirmative by—

Circuit Judge WALLACE (111 Fed., 1005).
do. LACOMBE do.
do. TOWNSEND (145 Fed., 937).
do. SEAMAN (131 Fed., 92 and 168 Fed., 930).
do. BAKER (137 Fed., 596).
do. JENKINS do.
District Judge RAY (138 Fed., 110, and 149 Fed., 424).
do THOMAS (Lowe Case at Circuit, unreported).
do WHEELER (114 Fed., 1021).
do BROWN (124 Fed., 1019).

In cases other than those concerning the Mimeograph and Neostyle patents but presenting a similar state of facts, practically the only difference in certain of the cases being as to the character of the limitation imposed by the license, the question now propounded to this Court has been answered in the affirmative—

By the Circuit Court for the District of Massachusetts (*Tubular Rivet Co. v. O'Brien*, 93 Fed., 200).

By the Circuit Court for the Western District of Pennsylvania (*Edison v. Kaufmann*, 105 Fed., 960).

By the Circuit Court for the District of Massachusetts (*Edison v. Pike*, 116 Fed., 863).

By the Circuit Court for the Southern District of Ohio (*Rupp v. Elliott*, decision unreported but affirmed at 131 Fed., 730).

By the Circuit Court for the Eastern District of Pennsylvania (*New Jersey Co. v. Schaefer*, 144 Fed., 437; same v. same, 159 Fed., 171, and same v. Weinburg, 183 Fed., 588).

By the Circuit Court for the Southern District of New York (*Aeolian Co. v. Juelg Co.*, 145 Fed., 939).

By the Circuit Court for the Eastern District of New York (*Crown etc. Co. v. Brooklyn etc. Co.*, 172 Fed., 225).

By the Circuit Court for the Northern District of Illinois (*Crown etc. Co. v. Standard Brewery*, 174 Fed., 252).

By the Circuit Court for the Eastern District of Wisconsin (*Commercial Co. v. Autolux Co.*, 181 Fed., 387).

Also

By the Circuit Court of Appeals for the Second Circuit, (*Æolian Co. v. Juelg Co.*, 155 Fed., 119).

By the Circuit Court of Appeals for the Third Circuit (*New Jersey Co. v. Schaefer*, 178 Fed., 276).

By the Circuit Court of Appeals for the Sixth Circuit (*Button-Fastener Case*, 77 Fed., 288, and *Rupp v. Elliott*, 131 Fed., 730).

By the Circuit Court of Appeals for the Seventh Circuit (*Victor Co. v. Fair*, 123 Fed., 424, and *Fair v. Dover Co.*, 166 Fed., 117).

By the Circuit Court of Appeals for the Eighth Circuit (*Phonograph Co. v. Schlegel*, 128 Fed., 733).

In these cases the question now put by the certificate was answered in the affirmative by—

(Then) Circuit Judge LURTON (77 Fed., 288).
do. do. TAFT (77 Fed., 288).
do. do. VAN DEVANTER (128 Fed., 734).
do. WALLACE (155 Fed., 119).
do. LACOMBE (155 Fed., 119).
do. COXE (155 Fed., 119).
do. ACHESON (105 Fed., 960).
do. SANBORN (174 Fed., 252, and 128 Fed., 734).
do. GROSSCUP (123 Fed., 424, 154 Fed., 358 and 365; 166 Fed., 117).
do. BAKER do.
do. JENKINS (123 Fed., 424).
do. KOHLSAAT (154 Fed., 358, and 154 Fed., 365).
do. SEAMAN (166 Fed., 117).
do. THAYER (128 Fed., 734).
do. LANNING (178 Fed., 276).
do. BUFFINGTON (178 Fed., 276).
do. GRAY (178 Fed., 276).
District Judge HAMMOND (77 Fed., 288).
do. LOWELL (116 Fed., 863).
do. THOMPSON (Affirming decision, 131 Fed., 730).
do. CHATFIELD (172 Fed., 225).
do. HOLLAND (159 Fed., 171, and 183 Fed., 588).
do. MCPHERSON (144 Fed., 437).
do. QUARLES (181 Fed., 387).

The condition involved in an affirmative answer to the question raised by the certificate has been unfavorably criticised only in the following special cases and to the following extent.

The Circuit Court for the Southern District of Iowa (117 Fed., 624) held a price-maintenance license agreement under Letters Patent invalid. This was reversed by the Appellate Court for the Eighth Circuit (*Phonograph Co. v. Schlegel*, 128 Fed., 733).

The Circuit Court for the Eastern District of Wisconsin (142 Fed., 531 and 148 Fed., 21) in effect held a price-maintenance license agreement under Letters Patent violative of the so-called "Anti-Trust Act." This was reversed by the Appellate Court for the Seventh Circuit (*Rubber Tire Case*, 154 Fed., 358, and *Indiana Co. v. Case Co.*, 154 Fed., 365).

The Circuit Court for the Western District of Michigan (65 Fed., 619) held that condition unlawful as against public policy but was reversed by the Appellate Court for the Sixth Circuit (*Button Fastener Case*, 77 Fed., 288).

Two members of the Appellate Court for the Second Circuit (against the dissent of the third), guardedly and with expressed qualification (*Cortelyou v. Johnson*, 145 Fed., 933), answered the question now propounded in the negative. This was after the same Court, differently constituted, had answered the same question unequivocally in the affirmative (*Cortelyou v. Lowe*, 111 Fed., 1005).

To summarize, the proposition of law involved in an affirmative answer to the question formulated in the certificate, has been maintained by nine Circuit Courts and by five Appellate Courts, the decisions having been rendered by twenty-nine different judges. Opposed thereto are only two (reversed) decisions of the Circuit Courts and the majority decision of a divided Appellate Court, these having been rendered by four different judges.

In England, that proposition of law, in substance, has been sustained in every case, so far as we have been able to ascertain, in which it has been involved, the last judicial ruling thereon (February, 1911), being that of England's highest Court, the Privy Council (*post*, pp. 28–29).

In its essentials, that proposition was maintained by this Court in *Bement v. Harrow Company*, 186 U. S., 70, and that case was cited in practically all of the cases in the lower courts, as above referred to, that were decided thereafter.

Many of the above cases will be more fully discussed later on in this brief. They have been analyzed at this point merely to indi-

cate, at the threshold, the practical unanimity with which the Circuit and Appellate Courts (and, as we believe, the Supreme Court) of the United States and the various Courts of Great Britain have ruled favorably upon the proposition for which we contend, and, in doing so, have established as part of the fixed law of patents, at the present time, the doctrine of contributory infringement as applicable to the state of facts presented in this case.

The Facts.

These are set forth in the certificate most briefly. The recital covers the essential findings of the Circuit Court as set forth in its opinion at 149 Federal, 424, which, we have no doubt, this Court will consider. The complainant's patents, granted December 15, 1903, and January 19, 1904, respectively, cover an office labor-saving apparatus known as the " Rotary Mimeograph ". This is a machine for producing, by means of wax stencils, a multiplicity of copies of autographic and typewritten matter.

Instead of selling these machines outright and unconditionally, thereby freeing them from the monopoly of the patents, complainant sells them under the license quoted in the certificate and which reads :

" LICENSE RESTRICTION.

" This machine is sold by the A. B. Dick Co. with the license restriction that it may be used only with the stencil-paper, ink and other supplies—

" Made by

" A. B. DICK COMPANY,
" Chicago, U. S. A."

The particular machine sold to complainant's licensee, Miss Skou, is expressly stated in the certificate as having been so sold " under " this license; the terms of the license, therefore, define the character of the property right conveyed to her by the complainant. Quite obviously that right was to use the machine with the complainant's supplies. She acquired no right from the com-

plainant or under its patents to use the machine, or the patented invention embodied therein, with supplies made by another.

The acts of the defendants of which the bill complains (discussed more fully, *post*, p. 17) are expressed in the certificate in the words:

"The defendant Sidney Henry sold to Miss Skou a can of ink suitable for use upon said Mimeograph WITH KNOWLEDGE OF THE SAID LICENSE AGREEMENT and WITH THE EXPECTATION THAT IT WOULD BE USED IN CONNECTION WITH SAID MIMEOGRAPH."

The question certified is: "Did the acts of the defendants constitute contributory infringement of the complainant's patents?"

It is to this question only that the Circuit Court of Appeals for the Second Circuit desires an answer from this Court. Clearly, the Court of Appeals feels entire confidence in its ability to apply the general rule of law, when it shall have been instructed as to the same, to the facts of the case. It asks no ruling on any collateral questions (public policy, etc.), such as might apply in some cases but not in others. It feels quite competent to deal with the reasonableness of any particular restriction that may be imposed as a condition of a license. All such ancillary propositions can be determined upon the record.

If the question above quoted can, *under any circumstances*, be answered in the affirmative, as so many courts have done, it should, we submit, be answered in the affirmative in this case, for it is baldly put as a general question of law, not complicated by any peculiar facts.

The question in point can best be considered after ascertaining the character of the right vested in the complainant by the grant of its patents, the character of the right vested by it in its licensee to use the patented machine, and, finally, the character of the wrong inflicted upon the complainant by the defendants' act. That act, it may here be remarked, is not at all the sale of ink. It is the sale of ink to complainant's licensee, with knowledge of the limitation of her license and with the "expectation" that she would use it upon her licensed machine in defiance of that limitation.

Character of Complainant's Rights.

Under Article I, Section 8, of the Constitution, Congress has power to promote the progress of science and useful arts by securing to inventors, for limited times, the exclusive right to their respective discoveries. Accordingly, Section 4884 of the Revised Statutes provides that the grant of a patent shall vest in the patentee "the exclusive right to make, use and vend the invention or discovery." Under the authorities, this "exclusive right" is in effect three exclusive rights, *i. e.*, the exclusive right to make, the exclusive right to use, and the exclusive right to sell, the patented invention.

"The franchise which the patent grants consists altogether in the right to exclude every one from making, using or vending the thing patented, without the permission of the patentee" (*Bloomer v. McQuewan*, 14 How., 539).

The duration of the grant is expressly provided for in Section 4884, so that at the expiration of seventeen years the patentee's rights expire and the public thereupon enters into the enjoyment thereof.

At a very early time (see, for example, the Planing Machine cases, *Wilson v. Rousseau*, 4 How., 646, decided in 1846), and at intervals ever since, extending down to the decision in the Bement-Harrow case (186 U. S., 70), this Court has repeatedly emphasized the "exclusive" character of the right vested in a patentee during the patent term, as well as the absolute freedom with which the law permits such patentee to do with that right substantially as he pleases.

The Bement case (in which the Planing Machine case is quoted) is probably the most recent expression of this Court's views in this regard. There (p. 88) the Court said :

"The plaintiff, according to the finding of the referee, was at the time when these licenses were executed the absolute owner of the Letters Patent relating to the float spring tooth harrow business. It was therefore the owner of a monopoly recognized by the

Constitution and by the statutes of Congress. An owner of a patent has the right to sell it or to keep it ; to manufacture the article himself or to license others to manufacture it ; to sell such article himself or to authorize others to sell it. As stated by Mr. Justice NELSON, in *Wilson v. Rousseau*, 4 How., 646, 674, 11 L. Ed., 1141, 1153, in speaking of a patent :

" ' The law has thus impressed upon it all the qualities and characteristics of property for the specified period, and has enabled him to hold and deal with it the same as in case of any other description of property belonging to him, and on his death it passes, with the rest of his personal estate, to his legal representatives, and becomes part of the assets.' "

Continuing (p. 90) the Court quoted with approval the following passage from the decision of the Appellate Court for the Sixth Circuit in the Button Fastener case (77 Fed., 288, 294) :

" If he (the patentee) see fit, he may reserve to himself the exclusive use of his invention or discovery. If he will neither use his device nor permit others to use it, he has but suppressed his own. That the grant is made upon the reasonable expectation that he will either put his invention to practical use or permit others to avail themselves of it upon reasonable terms is doubtless true. This expectation is based alone upon the supposition that the patentee's interest will induce him to use, or let others use, his invention. The public has retained no other security to enforce such expectations. A suppression can endure but for the life of the patent, and the disclosure he has made will enable all to enjoy the fruit of his genius. His title is exclusive, and so clearly within the constitutional provisions in respect of private property that he is neither bound to use his discovery himself nor permit others to use it."

And this right of the patentee to exclude all others from participation in his invention has been declared by this court in unequivocal terms in the Paper Bag Patent case, 210 U. S. 405. In speaking of the earlier cases the court then stated (page 425) that

" whenever this court has had occasion to speak, it has decided that an inventor receives from a patent the right to exclude others from its use for the time prescribed in the statute."

The court, in the decision in that case, by its recognition of the right of the patentee to pocket his invention and allow no one to benefit from it until the expiration of the monopoly granted him

by the government, was but construing the patent law in the same clear fashion in which Chief Justice MARSHALL, in *Grant v. Raymond* 6 Peters, 218, stated the rights and duties of the public thereunder.

"The public yields nothing which it has not agreed to yield; it receives all which it has contracted to receive. The full benefit of the discovery, after its enjoyment by the discoverer for fourteen years, is preserved; and for his exclusive enjoyment of it during that time the public faith is pledged."

Mr. Justice BROWN (then District Judge), in *Consolidated Co. v. Coombs* (39 Fed. 804), after referring to the "provisions of the Constitution and statutes which secure to the inventor 'the exclusive right to his discovery,'" said:

"If this right be 'exclusive,' it is difficult to see how the court can limit or impair it by requiring the patentee to accept anything less than the complete monopoly which the law awards him. While he may not be a manufacturer himself, and may derive his sole profit from licensing others to use his device, still such licenses are entirely voluntary upon his part, are completely within his own control, and the courts have, strictly speaking, no power to demand of him that he shall license the defendant to use his machine," etc. * * * A man has a right to deal as he chooses with his own. I know of no reason why a patentee is bound to make use of his own inventions, or to license others to use them, any more than the owner of a manufacturing establishment is bound to run it for the benefit of his neighbors or employes. * * * the question of licensing another to use an invention is one which the patentee alone has the right to answer; and courts cannot lawfully compel him to make use of his invention, or to permit others to use it against his will."

Applying these authorities to the present case, it will be seen that the complainant, being vested under its patents with the exclusive right to make, to use and to sell the Rotary Mimeograph, had also the right to refrain from exploiting that machine as well as the right to exclude others from so doing. Had it withheld the machine from the market, no benefit would have accrued to the public until after the expiration of the patents. Having elected to market the machine, it rested with the complainant, and with it only, to determine upon what terms and under what conditions this should be effected.

Having such "exclusive" right, the complainant has reserved to itself, and for its own exclusive enjoyment, the right to make and the right to vend. It has also reserved to itself, for its own exclusive enjoyment should it see fit, the right to use the patented invention *in any manner whatsoever*, as, for example, with supplies not of its own production. Out of its broad right to the exclusive use of the patented machine, the complainant has carved a limited right to use it in a particular manner, *i. e.*, with supplies of its own manufacture. It is this limited right which accompanies the machine into the hands of the licensees. Also, it is this limited right, and this only, with which the complainant parts in its grant of the license (Certificate, p. 1) to use the machine "only with the stencil-paper, ink and other supplies made by A. B. Dick Company."

Manifestly, after conveying such a limited right, the complainant is still vested, under its patent monopoly, with all rights not so conveyed. These are the exclusive right to *make* the patented machine, the exclusive right to *sell* that machine, and, finally, the exclusive right to *use* that machine with supplies not of its own production. It has parted with none of these rights. The complainant holds them intact, just as they were prior to the grant of the license. The use, by another, of the patented machine with supplies not made by the Dick Company would infringe the complainant's exclusive right to do that thing (with which right the complainant never parted) just as much as the manufacture of the patented machine by another would infringe the complainant's exclusive right to make. In other words, when a licensee, authorized to use his machine only with the Dick Company's supplies, uses it with supplies made by another, that act is outside of, and not protected by, his license and is an encroachment upon a right vested exclusively in the complainant.

"The patent grants an exclusive right to use, to make, and to sell. The patentee may grant, if he will, an unrestricted right to make and sell or use the device embodying his invention, or may grant only a restricted right in either the field of making, using, or selling. To the extent that he restricts either one of these separable rights, the article is not released from the domain of the patent,

and anyone who violates the restrictions imposed by the patentee, with notice, is an infringer."

Mr. Justice LURTON (then Circuit Judge) in *Park v. Hartman*, 153 Fed., 24, 27.

Character of Licensee's Rights.

This has practically been covered in the foregoing definition of the rights vested in the complainant or licensor. Down to the grant of his license, the licensee has, of course, no interest in the patent monopoly. He has no right to make or sell the patented thing or to use it in *any* manner. A right to do any of these things must come to him, if at all, from the complainant and the complainant may deal with him or not, as it pleases. "Whether purchasers and tenants come or not is purely his own concern", and "he cannot be compelled to part with his own except on inducements to his liking" *(Victor v. Fair*, 123 Fed., 426, C. C. A., 7th Circuit).

The complainant's attitude is that it will not sell the patented machines, outright and unconditionally, *on any terms*. That part of the monopoly it reserves for its own enjoyment. It offers the machine conditioned upon a limited right of use, and this the purchaser may take or leave, as he sees fit. If the inventions lack merit, or the price be too high or the terms of the license onerous, he may reject the offer and turn to a different machine which perhaps he can buy outright.

When, however, for the purpose of sharing in the patent monoply, exclusively the property of the complainant, he takes the machine upon the express condition, and under the express license, that it shall be used only with the Dick Company's supplies, the extent of his participation in the monopoly is governed by the terms of that condition or license. A use of the machine other than the use so licensed, is a misuse, an encroachment upon the right which the complainant has reserved to itself and an infringement of the patents upon which that right is founded. "The license would be no

defense to a suit for infringement by a use in excess of its terms" (Button Fastener case, 77 Fed., 291).

"The patentee may grant, if he will, an unrestricted right to make and sell or use the device embodying his invention, or may grant only a restricted right in either the field of making, using, or selling. To the extent that he restricts either one of these separable rights, the article is not released from the domain of the patent, and any one who violates the restrictions imposed by the patentee, with notice, is an infringer."

Mr. Justice (then Circuit Judge) LURTON, in *Park v. Hartman*, 153 Fed., 24, 27.

Reciprocal Benefits of License Plan.

Benefits to Licensor:

The commercial success of a patented invention depends primarily on the merit of that invention. That merit can be realized only when the invention is properly used and not abused. A rifle adapted for use with smokeless powder might be very effective when so used (in which case its reputation would prosper) and very ineffective when used with another and different powder (in which case its reputation would suffer). The sale of the rifle conditioned upon its use with smokeless powder would therefore assure the patentee against such a misuse of his invention as would injure its sale. This is equally true of the Rotary Mimeograph. The license plan of marketing, under which the patentee remains vitally interested in the success of its machines, requires it to furnish supplies by which the best results from those machines may be realized.

Again, provision having thus been made that the licensee shall be practically guaranteed the greatest degree of usefulness of his machine, the profit of the patentee out of his patent monopoly will depend upon the number of machines which can be put into use, and this in turn will depend upon the price which he is prepared to charge. If the machine were sold outright and unconditionally, and thereby forever freed from the patent monopoly, the price

would have to include not only manufacturing and selling expense, but also the full percentage of profit, thus requiring a considerable initial investment on the part of the vendee. That investment, particularly in some classes of inventions, might, and probably would, seriously handicap the effort to extend the sales. Where, however, less than the unconditional property right in the machine is sold, and provision is made for a further accounting as the machine is used, the price may be reduced to a figure so attractive as to constitute an inducement, additional to the merit of the machine, to influence the vendee or licensee. In this way, many conditional sales can be made where outright sales at higher prices would be impossible.

These are the main benefits to the licensor from such a selling or licensing plan as that now under consideration. There are other and material benefits, but to present these would require reference to the evidence, which, although before the lower Court, is not referred to in the certificate here.

Benefits to Licensee:

These have already to some extent been foreshadowed. Since it is to the advantage of the licensor that his patented machine shall be used most efficiently, and since the form of the license which he grants is one directed primarily to this end, the licensee is in effect guaranteed efficient operation of his machine. Indeed, the very continuance of the relation of licensor and licensee depends largely upon this condition, for since the licensee is under no obligation to use his machine at all, the unsuccessful operation thereof (as, for instance, with ill-adapted supplies) would speedily drive him to another and different machine.

Again, the consideration paid is of the greatest importance to a licensee. This is peculiarly so in the present case, where, as is well known, Rotary Mimeographs are largely used by small shop-keepers, public stenographers, etc., whose means are limited. Getting, as they do, less than the unconditional property right in their machine, and paying, therefore, less than they would have to pay for

the unconditional purchase of that machine, their initial investment is relatively small.

Again, after the licensee has acquired his machine, he pays nothing more, either as royalty or otherwise, except when he actually employs the machine, and enjoys, therefore, the benefit of the patent monopoly. His use of supplies, purchased from the licensor, determines the extent of his use of the invention. If he use the invention not at all, he pays nothing. His purchases of supplies constitute, therefore, what might be said to correspond with the quarterly or semi-annual "returns" under the more ordinary form of license, in which sworn statements of account are relied upon to inform the licensor as to the extent of his licensee's enjoyment of the patent privilege.

Comparison of Present License Plan With Pre-existing Plans.

Practically since the inception of the patent system, it has been a common practice, particularly where the patentee was not a manufacturer, to realize the value of the patent by means of licenses granted to others. Licenses to manufacture and sell have, as a rule, been granted for a money consideration, payable sometimes in cash and sometimes in installments. Licenses to use have also, as a rule, been granted for a money consideration, payable in cash or at a predetermined rate per annum. So common have these licenses been for many years that the forms employed have become practically stereotyped and are to be found in the standard form-books.

In essence, these licenses are the same as that granted by the complainant. In both, the licensee, to secure a share in the patent monopoly, agrees to recompense the licensor therefor. The difference is merely in the character of the consideration and the terms of payment. Ordinarily a license to use requires the licensee to pay the consideration whether he exercises the right or not. Fail-

ure to pay automatically cancels his license. And what he pays often has nothing to do with the *quantum* of his enjoyment of the right which he has purchased. Under the license plan in issue, however, the licensee's royalty, as we have seen, is dependent upon the extent of his enjoyment of the patent privilege. If, after acquiring his machine, he uses it not at all and therefore purchases no supplies from the complainant, he may retain his license as well as physical possession of the machine without payment of a single penny.

Another frequently adopted plan of license to use is a license upon consideration of the payment of a money royalty based upon the extent of use; often the amount is fixed by the number of articles which the machine produces. In the license plan in issue, the licensor, by limiting the market at which supplies may be purchased, is merely ensuring to himself a royalty based upon the output of the machine. The licensor, by requiring the purchase of ink of him, is in fact exacting a royalty (infinitesimal in amount) for every copy of the original produced by the mimeograph. The very nature of the work of these machines forbids the use of a fixed money royalty upon the work produced, since the money value is so small that the expense of the accounting would be prohibitive of such a method. By the plan in issue the money burden upon the licensee is distributed, the burden of an accounting entirely removed from both parties, and if he can put his invention into the hands of a sufficiently large number of users, by accumulation, these small proportional royalties will give to the licensor the reward for his invention. The use by the licensee of supplies manufactured by some one other than the licensor has exactly the same effect as a false report upon the part of the other licensee of the number of articles which the patented machine has produced.

Quite manifestly complainant has adopted a much more equitable license plan than others that might have been employed. In its fundamentals, however, and in a legal sense, that license plan presents no novelty. It involves merely the transfer of a por-

tion of the complainant's exclusive right to use its patented Rotary Mimeograph, such transfer being made upon terms acceptable to both parties concerned.

The Act Complained Of.

As already pointed out, this is not the sale of ink by the defendants. It is not even their sale of ink "suitable for use" on the Rotary Mimeograph. It is their sale of ink to complainant's licensee (who may not lawfully use it on her licensed machine) and the consequent procuring of such licensee to violate her license under the patents in question and thereby to infringe upon those patents. The use by the licensee of the patented machine with supplies not of the Dick Company's production, or even the licensee's threat so to do (*post*, pp. 61–62), would, under well-established authorities, violate the complainant's patents. Such a use (or threat) would at once convert the licensee into an infringer. And since "he who concerts with another to do a wrong is an abettor, and equally guilty with the one who actually commits it" (*Morgan Co. v. Albany Co.*, 40 Fed., 581, Affd. 152 U. S., 433), when the defendants sell to the licensee "ink suitable for use upon said Mimeograph with knowledge of said license agreement and with the expectation that it would be used in connection with said Mimeograph" *(Certificate)*, they also infringe. The authorities distinguish between the two by calling one a direct infringer and the other a contributory infringer, but essentially they stand in the same position as violators of the "exclusive" right with which the complainant is vested.

At this point it seems not out of place to call attention to the careful limitation of the restraint laid upon the defendants in the injunction granted by the Circuit Court. This leaves them free to sell this ink, if there is any demand for it, for any *lawful* use which they can discover. It enjoins them only from sales which are *unlawful* as calculated to procure or induce licensees to exceed their authority and thereby infringe complainant's patents.

Nor is it out of place to point out that unless the complainant can, under its patents, restrain a contributory infringer thereof, it is practically remediless. The ink seller, free from the complainant's handicap of expense incident to finding a market for its machines and handling, as a rule, an inferior quality of ink, can cut complainant's prices and still make a profit. Continued effort on his part will result in placing his ink in the hands of thousands of different licensees located, perhaps, in a dozen different jurisdictions. If complainant's remedy were only against the infringing Mimeograph users, it would be practically helpless. The money recovery in one of the suits, brought in one of the jurisdictions, against one of the infringing users, could in the nature of things, be but trifling as compared with the litigation expense. Obviously, the complainant's remedy, if it have one, must, to quote the bill of complaint, be against "the common source of the corrupting influences which have been brought to bear upon your orator's vendees." Only such a remedy can, in the complainant's peculiar situation, be effective.

The Law.

While this Court has repeatedly, in such cases as *Adams v. Burke*, 17 Wall., 453, *Hobbie v. Jennison*, 149 U.S., 355, etc. (*post p.* 42), held that the outright and unconditional sale of a patented article, made by one having the right to so sell the same, forever frees such article from the patent monopoly, it has consistently, in cases where the sale was not outright and unconditional, held the vendee or licensee strictly within the terms of the conditional sale or license.

Thus, for example, in *Providence Rubber Co. v. Goodyear* (9 Wall., 788, 19 L. Ed., 566), the defendants had been granted a limited or restricted license under the Goodyear patent. This license provided "that it was not intended to give any authority to contract with the United States." The defendants were charged with infringement through the manufacture of articles by them made "for the United States, under contracts with the Quarter-

master General." Here was an obvious exercise of the patent privilege in excess of the authority which the license conveyed. The defendants attempting to justify under the license, the Court held "This defence cannot avail the defendants."

In the later case of *Mitchell v. Hawley* (16 Wall., 544, 21 L. Ed., 323), this Court pointed out that it is only where a sale is made "without any conditions" that the article sold passes outside the patent monopoly. Thus, the Court said:—

"Patentees acquire by their Letters Patent the exclusive right to make and use their patented inventions and to vend the same to others to be used for the period of time specified in the patent, but when they have made one or more of the things patented, and have vended the same to others to be used, they have parted to that extent with their exclusive right, as they are never entitled to but one royalty for a patented machine, and consequently a patentee, when he has himself constructed a machine and sold it **without any conditions,** or authorized another to construct, sell and deliver it, or to construct and use and operate it, **without any conditions,** and the consideration has been paid to him for the thing patented, the rule is well established that the patentee must be understood to have parted to that extent with all his exclusive right. * * *"

Again, in 1884 (see *Birdsell v. Shaliol*, 112 U. S., 485, 28 L. Ed., 768), the Court recognized the distinction between an outright and unconditional sale and a mere limited license, saying:

"A license from the patentee, to make, use and sell machines, gives the licensee the right to do so, WITHIN THE SCOPE OF THE LICENSE, throughout the term of the patent," etc.

Finally, in the most recent case in this Court on the point (*Bement v. Harrow Company*, 186 U. S., 70; 46 L. Ed., 1058; decided in May, 1902), this Court said:

"* * * the general rule is absolute freedom in the use or sale of rights under the patent laws of the United States. The very object of these laws is monopoly, and THE RULE IS, WITH FEW EXCEPTIONS, THAT ANY CONDITIONS WHICH ARE NOT IN THEIR VERY NATURE ILLEGAL WITH REGARD TO THIS KIND OF PROPERTY, IMPOSED BY THE PATENTEE AND AGREED TO BY THE LICENSEE FOR THE RIGHT TO MANUFACTURE OR USE OR SELL THE ARTICLE, WILL BE UPHELD BY THE COURTS."

The Bement case was an action to recover liquidated damages for violation by the defendant of certain license contracts, and to restrain future violation. Those license contracts were made "under Letters Patent owned by the plaintiff." There was, therefore, to this extent, a distinction between the *manner* in which the questions under discussion arose in that case and the manner in which they arise here, the bill in this case being for the infringement of complainant's patents. The answer in the Bement case, however, specifically raised the issue as to the legality of the license contracts, averring (pp. 75, 76) that such contracts were void, chiefly because of alleged violation of the Act of Congress approved July 2d, 1890. And that the distinction in question was considered of no significance by this Court is apparent from the fact that many of the decisions to which the Court referred (such as *Wilson v. Rousseau*, *Grant v. Raymond*, *Heaton Peninsular Co. v. Eureka Specialty Co.*, *Hoe v. Knap*, and *Patterson v. Kentucky)* were rendered in cases brought under Letters Patent and charging infringement thereof.

From this Court's reference, in the Bement-Harrow case and the Paper Bag case, 210 U. S., 425, to the decision of the Court of Appeals for the Sixth Circuit in *Heaton Peninsular Co. v. Eureka Specialty Co.* (hereinafter termed the "Button-Fastener case"), and particularly from the extensive quotations in the former from the opinion of Mr. Justice (then Circuit Judge) LURTON, it seems entirely proper to assume that, in its essentials at least, the decision in the Button-Fastener case was adopted by this Court as setting forth the law in connection with the state of facts which the Button-Fastener case presented. Since that state of facts is closely paralleled in the facts set forth by the certificate in the present case, a closer discussion of the Button-Fastener case seems to be in order.

The complainant's patent covered a button-fastening machine adapted to secure buttons upon shoes. The claims were drawn entirely upon the machines, and not upon the fasteners used therein. The machines were sold to dealers "at the actual cost of

the machines to the makers, they expecting a profit on their monopoly alone from the sale of fasteners or staples to those having the machine." Upon a label affixed to each machine were the words:

"CONDITION OF SALE.

"This machine is sold and purchased to use only with fasteners made by the Peninsular Novelty Company, to whom the title to said machine immediately reverts upon violation of this contract of sale."

The defendants were charged with infringement, not by the sale of the patented machines but by the sale of the (unpatented) "fasteners" for use thereon. The suit, like the one at bar, proceeded on the theory that by using their licensed machines outside the scope of the authority granted by the complainant, its licensees became liable for infringement, and that the defendants by supplying the fasteners through the use of which the infringing acts were committed were equally guilty because of their contribution to such infringement. The lower Court (65 Fed., 620, 621), sustained a demurrer to the bill, expressing doubt as to the "correctness" of the proposition that a "patentee may, if he pleases, withhold his patent from public use," etc., and holding that "the patentee's privilege has its limitations, in the rights and interests of the public, and that it is an abuse of his privilege to so shape his dealings with his patent as to secure a monopoly upon an unpatented article."

The Court of Appeals for the Sixth Circuit (77 Fed., 288), in a scholarly opinion which has ever since been regarded as a "leading case" (so characterized by the Supreme Court, 210 U. S., 345), squarely reversed the lower Court, and explained at length the grounds for such reversal. The correspondence being so close between the case at bar and the Button-Fastener case, we take the liberty of quoting quite liberally from the latter.

The Appellate Court said (p. 291):

"If a patentee may lawfully make and sell machines embodying his invention, and restrict the use of the invention in respect of

territory or time or business, or purposes to which it may be put, or material to be used in conjunction therewith, it would seem very obvious that the effect of the restrictions and limitations on the use would operate to prevent the machine from passing, as in the case of an unconditional sale, beyond the monopoly of the patent. The control reserved by the patentee as to the use of the machine has the effect of continuing it within the prohibition of the monopoly. The license defines the boundaries of a lawful use, and estops the licensor from the assertion of his monopoly contrary to its terms. On the other hand, a use prohibited by the license is a use in defiance of the monopoly reserved by the patentee, and necessarily an unlawful invasion of the rights secured to him by his patent. The license would be no defense to a suit for infringement by a use in excess of its terms. The patentee has the exclusive right of use, except in so far as he has parted with it by his license. The essence of the monopoly conferred by the grant of Letters Patent is the exclusive right to use the invention or discovery described in the patent.

* * * * * * * *

" If, then (p. 292), the patentee has the exclusive right to the use of his invention or discovery, during the term of his patent, it would seem to follow that any use by another, unauthorized by the patentee, would be an infringement of his monopoly. If, therefore, he can find a purchaser for a machine subject only to certain specified uses, any violation of the privilege granted would be an infringement, for which the remedies granted patentees would be appropriate.

* * * * * * * *

" So long (p. 296) as their invention controls the market for button-fastening appliances, and to the extent that their machine shall supersede other modes of clinching staples, just so long will they be enabled to control the market for staples. Their monopoly in an unpatented article will depend upon the merit of their patented device, and the extent to which other clinching devices are superseded by it. * * * The monopoly in the unpatented staple results as an incident from the monopoly in the use of complainant's invention, and is therefore a legitimate result of the patentee's control over the use of his invention by others. Depending, as such a monopoly would, upon the merits of the invention to which it is a mere incident, it is neither obnoxious to public policy, nor an illegal restraint of trade.

" If we are right in the foregoing conclusions that the users of Peninsular Machines, who use therein the button fasteners made and sold by the defendants, thereby infringe the patents for inventions embodied in said machines, it would seem to follow that the defendants, who aid and abet such infringement by intentionally and maliciously persuading and inducing the licensees of such ma-

chines to exceed their licenses, and by furnishing them with the means for such infringement are themselves infringers, and liable as tort feasors."

It is interesting to note that a case presenting substantially the same state of facts (*Rupp v. Elliott*, 131 Fed., 730) came before the same court eight years later, the Court then sitting being Circuit Judges LURTON, SEVERENS and RICHARDS, Judge SEVERENS having decided the Button-Fastener case at Circuit. In the Rupp case, the Court (opinion by Mr. Justice, then Circuit Judge, LURTON) referred to the previous decision in the Button-Fastener case, saying (p. 731):

"The nature and limits of the monopoly acquired by a patentee were there thrashed out, and every aspect of the subject presented by the briefs of counsel for the appellants is dealt with in that opinion. That aspect of the question has since been before the Supreme Court, and the general view of this Court, as expressed in that opinion, approved in *Bement v. National Harrow Co.*, 186 U. S., 70, 91; 22 Sup. Ct., 747; 46 L. Ed., 1058."

The decree of the lower Court by which the defendants were "perpetually enjoined from selling wire to the users of" complainant's patented "machines, intended and adapted to be used" in such machines, was affirmed.

In *Aeolian Co. v. Juelg Co.*, 155 Fed., 119, in the Circuit Court of Appeals for the Second Circuit, Judges WALLACE, LACOMBE and COXE sitting, it appeared that the complainant sold its patented pianolas "only upon the conditions expressed in a certain notice" affixed thereto, such "conditions" being that the patented device was not to be used save with "music-rolls especially designed and manufactured by us for use therewith." The defendant's music-rolls were specifically stated to be capable of use in complainant's instruments, and "also adapted for insertion in several other varieties of self-playing pianos which are on the market and not covered by complainant's patent." The Appellate Court affirmed the decision of the lower Court restraining the defendant from sell-

ing the unpatented rolls for use on the patented and licensed machines, saying (p. 120):

"It will be observed that the injunction is carefully restricted; it does not prohibit defendant from selling generally, nor from selling rolls to be used with other instruments than complainant's, nor from sales to such owners of complainant's instruments as bought the same without restrictions. * * * The evidence fairly warrants the conclusion that, unless restrained by injunction, defendants intend to press the sale of their rolls among purchasers of the pianolas who have bought with full knowledge of the restrictions and have accepted the same. Upon this state of facts the injunction was properly issued."

Among the cases in the same category, in that the license restriction applied to the *use* to be made of the patented device, may be noted the *Crown Cork & Seal* cases, 172 Fed., 225 and 174 Fed., 252, and *Commercial Co. v. Autolux Co.*, 181 Fed., 387.

Bearing a close analogy to the case at bar but involving important considerations not here present, are the numerous cases in the Circuit and Appellate Courts, complaining of the infringement of Letters Patent by the sale of the patented devices at prices lower than those fixed by the patentee-licensor. One of these important considerations was the question of public policy as involved in the patentee's provision for the maintenance of the price of his device, a thing which is not here in issue. The essential feature of correspondence between cases of this character and the case at bar, however, resides in the fact that alienations of the patented machines (whether called license transfers or conditional sales or what not) were of such character as not to take the machines out from under the monopoly of the patents. In other words, in these cases the patentee, out of his "exclusive" right to sell his machines, carved, and transferred, a limited right to sell them at not less than a certain price.

The leading case of this character, arising as a suit for the direct infringment of Letters Patent (and not to restrain the violation of a license contract, as in the Bement-Harrow case in this Court)

was that of *Victor Talking Machine Co. v. The Fair* (123 Fed., 424). The history of this case closely parallels that of the Button-Fastener case, the lower Court holding against the complainant on the ground of public policy and being squarely reversed in the Appellate Court. Briefly stated the facts were that the complainant sold, under the Berliner patent, talking machines which (p. 424) were "licensed by us for sale and use only when sold to the public at a price not less than $....." The defendant advertised these machines at a lower price than that fixed by the license, and "insisted upon its right to sell the others at the cut price." The lower Court sustained a demurrer to the bill (decision unreported). The Court of Appeals (Circuit Judges JENKINS, GROSSCUP and BAKER), reversing the decree below said (p. 426):

"By its terms, the grant covers three separate or separable fields. The patentee may agree with one that he will not exclude him from making, with another from using, and with yet another from selling devices that exemplify the principles of his invention. Within the field of making, it has never been doubted, so far as we are aware, that he may subdivide as he pleases and offer to sell or lease in the most fanciful parcels on the harshest terms; that whether purchasers and tenants come or not is purely his own concern; and that, if purchasers or tenants do come, the Courts will enforce the terms of the sale or lease. And how could it be otherwise? Owning the whole, he owns every part. The field being his property, and there being no law for seizing it and adjudging his damages, he cannot be compelled to part with his own except on inducements to his liking. The same conditions must prevail within the field of use, for how can it be distinguished? And the Circuit Court of Appeals for the Sixth Circuit, in a case we thoroughly approve (*Heaton Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 77 Fed., 288; 25 C. C. A., 267; 35 L. R. A., 728) has ruled that a patentee may farm out such a part of the field of use as he pleases and retain the balance, and that whoever without permission enters the reserved portion is an infringer. This case has been followed and approved by the Circuit Court of Appeals for the Second Circuit in *Cortelyou v. Lowe*, 111 Fed., 1005; 49 C. C. A., 671. The field of sale is as much within the monopoly as the others, and so it has been decided (*Bement v. National Harrow Co.*, 186 U. S., 70; 22 Sup. Ct., 747; 46 L. Ed., 1058)."

Other cases falling within this category (in that the condition of

the license bore upon the price at which the licensed machine might lawfully be resold) are:

Edison Phonograph Co. v. Kaufmann, 105 Fed., 960.
Edison Phonograph Co. v. Pike, 116 Fed., 863.
National Phonograph Co. v. Schlegel, 128 Fed., 733.
Rubber Tire Co. v. Milwaukee Co., 154 Fed., 358 (C. C. A., Seventh Circuit).
Indiana Co. v. Case Co., 154 Fed., 365 (C. C. A., Seventh Circuit).
The Fair v. Dover Mfg. Co., 166 Fed., 117 (C. C. A., Seventh Circuit).
New Jersey Co. v. Schaeffer, 178 Fed., 276 (C. C. A., Third Circuit).

In the first of these to be decided after the decision of this Court in the Bement case, *Edison Co. v. Pike*, Judge LOWELL, said:

"It is true that the Supreme Court, in *Bement v. Harrow Company*, decided only that a restriction imposed by a patentee upon his vendee that the latter should keep up prices was legal. The Supreme Court did not decide that the restriction could be so drawn as to make one who violated it guilty of infringement. But this was decided in *Heaton Peninsular Button-Fastener Company v. Eureka Specialty Company*, and the Supreme Court has cited that case with unqualified approval. * * * In selling these phonographs, now unlicensed, the defendant, who bought them with the knowledge of the restriction and of its breach, is also an infringer."

English Authorities.

These are directly in accord with the American cases heretofore mentioned. The English cases begin with *Incandescent Gas Light Co. v. Cantelo*, 12 Rep. Patent Cases, 262, decided by Mr. Justice WILLS in 1895 in the High Court of Justice, Queens Bench Division. The decision in this case was referred to as "*undoubtedly a leading authority in the law of England*" in the recent decision of the Privy Council in *National Phonograph Co. v. Menck*, hereinafter referred to (*post*, p. 28).

In the Cantelo case patented mantles were sold under these terms and conditions printed "on the box which encloses each

mantle." "The license to use this mantle is strictly limited to the person or persons purchasing the same, * * * and it is purchased and sold * * * on the express condition that it is only to be used for the purpose of renewal and not in connection with burners or apparatus not sold or supplied by the Company."

The action was "for infringement of said patents." The defenses were that "the Plaintiffs, by their restrictive conditions, were trying to obtain a monopoly, which the law did not give them," and that defendant had no notice of the license the terms of which had been violated. The latter defense was sustained but the former (the only one pertinent here) overruled, this on the ground that "the contract (of sale) was complete," since the purchaser had no notice of the license.

Mr. Justice WILLS said (p. 264):

"If so, the sale of a patented article carries with it the right to use it in any way that the purchaser chooses to use it, unless he knows of restrictions. Of course, if he knows of restrictions, and they are brought to his mind at the time of the sale, he is bound by them. He is bound by them on this principle: the Patentee has the sole right of using and selling the articles, and he may prevent anybody from dealing with them at all. Inasmuch as he has the right to prevent people from using them, or dealing in them at all, he has the right to do the lesser thing, that is to say to impose his own conditions. It does not matter how unreasonable or how absurd the conditions are. It does not matter what they are if he says at the time when the purchaser proposes to buy, or the person to take a license, "Mind, I only give you this license on this condition," and the purchaser is free to take it or leave it as he likes. If he takes it he must be bound by the condition. It seems to be common sense, and not to depend upon any patent law, or any other particular law."

In *Incandescent Gas Light Co. v. Brogden*, 16 Rep. Pat. Cas., 183, involving the same form of license as that considered in the Cantello case, Mr. Justice KENNEDY, in the course of an opinion granting an injunction, said:

"Mr. Terrell has satisfied me that a patentee has a right not merely by sale without reserve to give an unlimited right to the purchaser to use, and thereby to make in effect a grant from which he may not derogate, but may attach to it conditions, and if those

conditions are broken, then there is no license, because the license is bound up with the observance of the conditions."

In *Badische Analin, etc., v. Isler.* 1906, 1 Chancery, 611, Mr. Justice BUCKLEY said :

"If the purchaser knows the restrictions of course he is bound by them : Incandescent Gas Light Co. v. Brogden, 16 Rep. Pat. Cas., 179. In such a state of facts the patentee cannot be estopped, and to a patented article conditions may be attached because the goods have this special quality or characteristic, that, except with the license of the patentee, they cannot be used or sold, thus differing from goods in general to which a condition cannot be attached so as, so to speak, to follow the goods."

In *McGruther v. Pitcher*, 1904, 2 Chancery, 306, Lord Justice COZENS-HARDY said :

"I cannot help thinking that in the argument in the court below some confusion was introduced by reference to patent rights. Now this action is neither in form nor in fact an action by a patentee claiming an injunction to restrain an infringement of his patent. In such an action it is open to the Defendant to plead a license by the Plaintiff. That license may be express, or it may be implied from the sale by the patentee of the patented article, but, if the Defendant pleads a license, then it is competent for the Plaintiff to reply, 'The license which I granted is a limited license, and you, the person who has now got the patented article, were aware it was only a limited license, and you cannot therefore defend yourself against my claim for an infringement of my patent, because you are going outside the license which, to your knowledge, I gave with reference to this article.' Such a case would not depend upon any condition running with or attaching to the article. It would depend only upon the limits of the license which the patentee had granted when he first parted with the goods."

The latest, and the highest, judicial utterance of the English Courts on the proposition under discussion, is found in the decision of the Privy Council, delivered February 3, 1911, in the case of *National Phonograph Company v. Menck*, 27 T. L. R., 239. This was an appeal from a judgment of the High Court of Australia, dismissing an action charging breach of contract and infringement of patents covering talking machines, records, etc. In essence, the facts were substantially those stated in the opinions in *Edison v. Pike*,

116 Fed., 863, *Same v. Kaufmann*, 105 Fed., 960, and the recent case of *New Jersey Co. v. Weinberg*, 183 Fed., 588, the defendant's right with respect to the patented machines being subject to certain terms and conditions imposed under the authority of the patent grants.

The defendant admitted notice of those terms and conditions, but denied the patentee's right to impose them, asserting the right to deal in the machines as "ordinary articles of commerce." This right the Court denied, holding (opinion by Lord SHAW) that patented articles, unlike "chattels of an ordinary kind," may be transferred subject to "conditions" or "limitations" and that

"These limitations are merely the respect paid and the effect given to those conditions of transfer of the patented article which the law, laid down by Statute, gave the original patentee a power to impose. Whether the law on this head should be changed and the power of sale *sub modo* should be withdrawn or limited is not a question for a Court."

After considering the Cantelo, the Brogden and other cases, the Court held:

"In their Lordships' opinion, it is thus demonstrated by a clear course of authority, first, that it is open to licensee, by virtue of his statutory monopoly, to make a sale *sub modo*, or accompanied by restrictive conditions which would not apply in the case of ordinary chattels; secondly, that the imposition of these conditions in the case of a sale is not presumed; but, on the contrary, a sale having occurred, the presumption is that the full right of ownership was meant to be vested in the purchaser; while, thirdly, the owner's rights in a patented chattel will be limited if there is brought home to him the knowledge of conditions imposed, by the patentee or those representing the patentee, upon him at the time of sale."

Previous "Mimeograph" and "Neostyle" Cases.

The rule of law applicable to the state of facts presented in the case at bar having thus been indicated, it will not be out of place to point out the extent to which that rule has already been applied to precisely that state of facts. The cases now to be referred to are cases brought by the A. B. Dick Company under the Rotary Mimeograph patents and those brought under the Rotary Neostyle pat-

ents by the various owners thereof, Cortelyou, Brodrick Copygraph Company and Neostyle Company.

The plan of marketing the Rotary Mimeograph under license restriction is adequately covered by the certificate herein, although it is stated more fully in the opinion of Judge RAY at Circuit in *Dick Co. v. Henry*, 149 Fed., 424 *(post*, p. 77*)*. The Rotary Neostyle, although made under other patents, is marketed under precisely the same plan, as the Court will see from the opinion of Judge RAY in *Cortelyou v. Johnson*, 138 Fed., 110. In both cases the condition of the license is the same, in that it conveys under the patents only the right to a limited use of the patented machine, *i. e.*, a use only with supplies made by the patentee. Naturally, under present circumstances, reference can here be made only to such of these cases as were reported.

In *Cortelyou v. Lowe*, the Appellate Court for the Second Circuit (WALLACE and LACOMBE, C. J. J.) affirmed an order granting preliminary injunction, saying (111 Fed., 1005):

" This case comes here on appeal from an order granting preliminary injuction. The case upon which the order was granted is in its facts practically identical with the one which was before the Circuit Court of Appeals of the Sixth Circuit in *Heaton Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 25 C. C. A., 267, 77 Fed., 288, 35 L. R. A., 728. *We fully agree with the opinion of the Court in that case, and think the decision should control the case at bar.*"

In *Cortelyou v. Carter's Ink Co.*, Judge LACOMBE, granting a motion for preliminary injunction, said (118 Fed., 1022):

" Complainant may take a restraining order in the general form of the injunction in the Lowe case, *i. e.*, closely restricted to sales advertisements calculated to induce persons who bought Neostyle machines under contract as to the kind of ink to be used to violate their contract.

In *Brodrick Co. v. Roper*, 124 Fed., 1019 (Rhode Island), Judge BROWN, granting motion for preliminary injunction, said:

" I am of the opinion that the complainant is entitled to a preliminary injunction upon the authority of the following cases: *Heaton Peninsular Button-Fastener Co. v. Eureka Specialty Co.*, 77

Fed., 288, 25 C. C. A., 267, 35 L. R. A., 728; *Cortelyou v. Lowe*, 111 Fed., 1005, 49 C. C. A., 671; *Tubular Rivet & Steel Co. v. O'Brien* (C. C.), 93 Fed., 200. See, also, *Victor Talking Machine Co., et al., v. The Fair* (decision of the Circuit Court of Appeals for the Seventh Circuit, January Session 1903), 123 Fed., 424; *Bement v. National Harrow Co.*, 186 U. S., 70, 90, 22 Sup. Ct. 747, 46 L., Ed. 1058. A preliminary injunction in the form prayed for, however, would be too broad, since it would cover the making and selling of duplicating ink for legitimate purposes, and sales in which the complainants' right would not be either directly or indirectly infringed. A decree may be presented so limited as to obviate this objection, and otherwise framed according to the prayer of the bill."

In *Brodrick Co. v. Mayhew*, 131 Fed., 92 (Wisconsin), Judge SEAMAN, after stating the facts and referring to the Victor-Fair and the Cortelyou-Lowe cases, overruled a demurrer which raised the question as to a patentee's right to restrict the use of his machine, saying:

"I am satisfied that the doctrine for which the defendant contends is inconsistent with the unlimited right of monopoly intended by the patent law. It rests with the patentee to determine the methods for its exercise, and he is at liberty to fix any price for the machine, and reserve as well benefit in its use. The sales in question are not unrestricted, but are plainly limited or conditional in use," etc.

In *Dick Co. v. Milwaukee Co.*, 168 Fed., 930 (Wisconsin), Judge SEAMAN granted a preliminary injunction in a memorandum opinion in which he expressly indorsed and adopted the opinion of Judge RAY, at Circuit, in the case at bar. The Court said:

"The cases referred to in this Circuit have settled the controlling doctrine of unlimited right in the patentee to thus restrict the use of his device, and thereunder no escape appears from its application to the state of facts presented on this motion as constructive infringement. * * * The opinion of Judge RAY, in the cognate case of *A. B. Dick Company v. Henry* (C. C.), 149 Fed., 424, satisfactorily states the grounds for injunctional relief to be applied under the present motion within the above-mentioned doctrine."

The above are all save one of the *reported* cases involving the doctrine of law now in issue, and brought upon substantially the same state of facts as that set forth in the present certificate. The

exception is the case of *Cortelyou v. Johnson* (145 Fed., 933), in which, although Judge RAY, at Circuit, fully sustained the complainant's contention, his ruling was reversed on the ground that the evidence did not show that the defendant had notice of the license, and the majority of the court advanced the theory that the ruling should, additionally, be reversed on the ground of "public policy," this requiring, as we conceive, more extended discussion in this brief (*post*, p. 47 *et seq.*).

Undoubtedly, the Button Fastener case presented a state of facts which, not essentially but merely in detail, differed from any state of facts heretofore considered by this Court in a case brought for infringement of Letters Patent. Nevertheless, we feel confident that this Court's attitude toward that case and that state of facts is fairly indicated in its reference to the Button Fastener case in the opinion in the Bement case. The latter case (and see the Paper Bag Case, 210 U. S., 425) has been regarded as practically adopting, with approval, the decision in the Button Fastener case (See *Rupp v. Elliott*, 131 Fed., 730, *Cortelyou v. Johnson*, 145 Fed., 937, *Rubber Tire Co. v. Milwaukee Co.*, 154 Fed., 361, and *Phonograph Co. v. Schlegel*, 128 Fed., 735, all Appellate Court cases).

Furthermore, the decision in the Button Fastener case has been widely adopted and followed both by the Circuit and Appellate Courts and, moreover, cited as authority in the very cases which presented the state of facts here involved. The opinion therein was referred to by the Appellate Court for the Second Circuit (111 Fed., 1005) as one with which "we fully agree" (and see 145 Fed., 933 and 937), and by the Appellate Court for the Seventh Circuit (123 Fed., 426) as one of which "we thoroughly approve."

The Button Fastener case and the case at bar being, in every substantial sense, practically the same case (*post*, p. 45 and p. 72), and the decision in the former having for the past fifteen years been widely and without serious question regarded as formulating and declaring the application of the law to such a case, an affirmative answer to the question now propounded by the Appellate Court for the Second Circuit would seem to be sustained by the decided

weight of authority. In but one (unreversed) case has the proposition of law for which complainant contends been seriously criticised (*post*, p. 47 *et seq.*) and that criticism was very apparently, we think, based upon a misconception (*post*, p. 51). Certainly no *effective* criticism thereof can be based upon recognized authorities, for these, practically without exception, sustain complainant's position absolutely. These authorities are here grouped under appropriate headings, the cases including, but being largely additional to, those heretofore mentioned.

I.

Complainant has the "exclusive" (R. S., Sec. 4884) control over the manufacture, the use and the sale of the patented Rotary Mimeographs. Included herein is the right to prescribe within what limits and under what conditions these machines may be used by its vendees.

"Sales of the kind may be made by the patentee with or without conditions."

Mitchell v. Hawley, 16 Wall., 544.

"An owner of a patent has the right to sell it or to keep it; to manufacture the article himself or to license others to manufacture it; to sell such article himself or to authorize others to sell it. * * * ANY CONDITIONS WHICH ARE NOT IN THEIR VERY NATURE ILLEGAL WITH REGARD TO THIS KIND OF PROPERTY, IMPOSED BY THE PATENTEE AND AGREED TO BY THE LICENSEE FOR THE RIGHT TO MANUFACTURE OR USE OR SELL THE ARTICLE WILL BE UPHELD BY THE COURTS."

Bement v. Harrow Co., 186 U. S., 70.

See also *Providence Rubber Co. v. Goodyear*, 9 Wall., 788; *Birdsell v. Shaliol*, 112 U. S., 485.

"It is easy for a patentee to protect himself and his assignees, when he conveys exclusive rights under the patent for particular territory. HE CAN TAKE CARE TO BIND EVERY LICENSEE OR ASSIGNEE, IF HE GIVES HIM THE RIGHT TO SELL ARTICLES MADE UNDER THE PATENT,

BY IMPOSING CONDITIONS WHICH WILL PREVENT ANY OTHER LICENSEE OR ASSIGNEE FROM BEING INTERFERED WITH.

Hobbie v. Jennison, 149 U. S., 355.

"The patentee may agree with one that he will not exclude him from making, with another from using, and with yet another from selling devices that exemplify the principles of his invention. Within the field of making, it has never been doubted, so far as we are aware, that he may subdivide as he pleases and offer to sell or lease in the most fanciful parcels on the harshest terms; that whether purchasers and tenants come or not is purely his own concern; and that, if purchasers or tenants do come, the courts will enforce the terms of the sale or lease. And how could it be otherwise? Owning the whole, he owns every part. The field being his property, and there being no law for seizing it and adjudging his damages, he cannot be compelled to part with his own except on inducements to his liking.

Victor Talking Mach. Co. v. The Fair, 123 Fed., 424.

"When the owner of the patent sells the patented article under circumstances which imply that the purchaser is not to acquire an unqualified property in the thing purchased, as where a license accompanies the transfer, the purchaser's rights are limited to the extent implied by the license, or the other circumstances."

Morgan Co. v. Albany Co., 40 Fed., 577–580.

"True, the patent granted to an Inventor confers upon him the right to make, to use and to vend to others to be used; and it is possible for him, in granting to others a share of his exclusive right, to limit the privilege granted, as he may see fit, and it is, therefore, possible for him to keep these privileges distinct, if he can find persons willing to pay for one without the right to enjoy either of the others."

Steam Cutter Co. v. Sheldon, 22 Fed. Cas.. 1163, 10 Blatch. 1–8.

"The company clearly had the right, in selling a patented article, to put a restriction on its use or sale, and to convey only a restricted title, or to license only a restricted use, and the purchaser under such a restricted title could not convey a greater or better title than he had himself."

American Cotton Tie Co. vs. Simmons, 1 Fed. Cas., 628, 17 Blatch. 160.

"That the complainants were entirely within the boundary of their patent rights in permitting the use of their invention only in connection with wire sold by themselves is not an open question in this court."

Rupp. v. Elliott, 131 Fed., 730.

"The words 'licensed to use once only,' stamped on each buckle, was notice to every one who handled it that there was attached to it a restriction in the shape of a license, and of a license merely to use, and of a license to use only once. This was a lawful restriction."

American Cotton Tie Co. vs. Bullard, 1 Fed. Cas., 629, 17 Blatch., 160.

See also *Dorsey Rake Co. v. Bradley Co.*, 7 Fed. Cas., 947, 12 Blatch., 202.

II.

The rights of vendees or licensees of Rotary Mimeographs are fixed and determined by the restriction borne by the machines themselves. The machines, so restricted, having been accepted by the vendees, they are bound to use them only within the authority so conferred.

"The license sets forth, in express terms, that it was not intended to give any authority to contract with the United States. All the articles to which this controversy relates were manufactured for the United States. * * * This defense cannot avail the defendants."

Providence Rubber Works v. Goodyear [*supra*].
Bement v. Harrow Co. (supra).

"In view of the conspicuous character of both the machine and the notice permanently affixed thereon, every one buying must be conclusively presumed to have notice that the owners of the patents intended by the inscription on the machine to grant only a restricted license for its use, and it is difficult to see why such purchaser is not to be regarded as acquiring and accepting the structure subject to this restriction. The buyer of the machine undoubtedly obtains the title to the materials embodying the invention, subject to a reverter in case of violation of the conditions of the sale. BUT, AS TO THE RIGHT TO USE THE INVENTION, HE IS OBVIOUSLY A MERE LICENSEE, HAVING NO INTEREST IN THE MONOPOLY GRANTED BY THE LETTERS PATENT."

Button Fastener Case (77 Fed., 290).
Victor Talking Machine Case (123 Fed., 427).

"An express license may be oral or in writing, and when in writing it may take any form that can be legally interpreted as a conveyance of those interests which a license is sufficient to transfer. * * * A license to use for a given purpose only, or in a particular manner, or for a period less than the duration of the patent, BINDS THE LICENSEE WITH EQUAL STRICTNESS, AND MAKES HIM LIABLE AS AN INFRINGER FOR ANY EXCESS OF USE BEYOND WHAT IS DISTINCTLY CONFERRED UPON HIM."

Robinson on Patents, Secs. 809, 812.

Below, arranged in parallel columns, are the restrictions borne respectively by the plates affixed to the button fastening machines in the Button Fastener Case, and those affixed to the Rotary Mimeographs marketed by the Complainant:

Button Fastener Case.	*Case at Bar.*
"CONDITION OF SALE.	"LICENSE RESTRICTION.
"This machine is sold and purchased to use only with fasteners made by the Peninsular Novelty Company, to whom the title to said machine immediately reverts upon violation of this contract of sale.	"This machine is sold by the A. B. Dick Co. with the license restriction that it may be used only with the stencil paper, ink, and other supplies made by A. B. Dick Company, Chicago, U. S. A."

"The owner's rights in a patented chattel will be limited if there is brought home to him the knowledge of conditions imposed, by the patentee or those representing the patentee, upon him at the time of sale."

Privy Council in Nat. Phon. Co. v. Menck, 27 T. L. R., 239.

See, also, *Cotton Tie Case, supra*, *Edison Co. v. Kaufmann*, 105 Fed., 960, *Edison Co. v. Pike*, 116 Fed., 863, and *Rupp v. Elliott* (*supra*).

III.

The use of a Rotary Mimeograph with ink not made by complainant is a use outside of the license or authority granted to the licensee. Such a use is unlawful and an infringement upon the patent in suit.

On this proposition practically all of the cases heretofore cited are pertinent (see quotation *ante*, p. 35, from Providence Rubber Co. v. Goodyear). In the Button Fastener case (77 Fed., p. 291), the Court said:

"The license defines the boundaries of a lawful use, and estops the licensor from the assertion of his monopoly contrary to its terms. On the other hand, a use prohibited by the license is a use in defiance of the monopoly reserved by the patentee, and necessarily an unlawful invasion of the rights secured to him by his patent. THE LICENSE WOULD BE NO DEFENSE TO A SUIT FOR INFRINGEMENT BY A USE IN EXCESS OF ITS TERMS."

"By the agreement, the defendants were licensed to manufacture and sell the double ruffle only. If they manufactured and sold any other ruffle which was protected by either patents, they became, as to such ruffle, so improperly manufactured, infringers, and the complainants could resort to an action at law or in equity to obtain redress for this violation of their exclusive patent rights."

Magic Ruffle Co. v. Elm City Co., 16 Fed. Cas., 401, 13 Blatch., 151.

"A licensee who violates the provisions of his license may be sued on the contract for damages. When his wrongful acts constitute also an infringement of the patent the licensor may have his remedy either for the breach of contract or for the invasion of the monopoly."

Robinson on Patents, Sec. 1250.

"If such licensee uses the patented invention beyond the limits of the license or grant, or in a way not authorized by the license or grant, then there has been a violation of a right secured to the patentee under a law of the United States giving to him the exclusive right to use the thing patented."

Goodyear v. Union Co., 10 Fed. Cas., 727; 4 Blatch., 63.

"The licenses do not, any of them, purport to give the defendants an unlimited use of any of the patents, but only a restricted right to make machines of certain sizes and descriptions; so that when defendants made machines not in conformity to the licenses, they violated, not only their express covenant not to do so, but also the complainant's patents, or some of them, covering such machines."

Pope Co. v. Owsley, 27 Fed., 104.

See also,

Commercial Co. v. Autolux Co., 181 Fed., 387.
New Jersey Co. v. Weinburg, 183 Fed., 588.
The Fair v. Dover Co., 166 Fed., 117.
Victor Talking Mach. Case (*supra*).
Willis v. McCullen, 29 Fed., 641.
Rupp v. Elliott, *supra*.

IV.

Such a use being an infringement, he who makes the ink and sells it to the licensee, with intent that it shall be put to the infringing use, is a party to the infringement and liable as a contributor thereto.

"If we are right in the foregoing conclusions that the users of Peninsular Machines, who use therein the button fasteners made and sold by the defendants, thereby infringe the patents for inventions embodied in said machines, it would seem to follow that THE DEFENDANTS, WHO AID AND ABET SUCH INFRINGEMENT BY INTENTIONALLY AND MALICIOUSLY PERSUADING AND INDUCING THE LICENSEES OF SUCH MACHINES TO EXCEED THEIR LICENSES, AND BY FURNISHING THEM WITH THE MEANS FOR SUCH INFRINGEMENT, ARE THEMSELVES INFRINGERS, AND LIABLE AS TORT FEASORS. * * *

"Under the circumstances alleged, it is immaterial that defendants do not themselves use the Peninsular machines, and equally immaterial that they are engaged in the business of making and selling an unpatentable article which is not even an element in a combination patent. The facts of this case may make an unusual mode of infringing, but the principle applicable is quite well established. IF THE LICENSEES INFRINGE, ALL WHO ACTIVELY AND INTENTIONALLY AID AND ABET THEM IN INFRINGING ARE EQUALLY INFRINGERS."

Button Fastener Case, 77 Fed., 296, 297.

" This infringer takes the simple pins and washers, constructed according to the plaintiff's specifications in patent No. 266,941, tacks them on pasteboard tubes, evasively split in halves, according to the specifications of plaintiff's patent No. 429,828, and, without turning the fasteners into loops to fasten buttons on shoes to complete the infringement, sells to manufacturers and dealers, who do complete it by doing that thing, and they are sold with that intention and for that purpose. They are equally infringers with those who set the buttons on by the use of the plaintiff's fasteners without license, and which have without license been sold to them by the defendant for that purpose."

Wilkins Co. v. Webb, 89 Fed., 996.

" That doctrine (contributory infringement) rests on the principle that he who concerts with another to do a wrong is an abettor, and equally guilty with the one who actually commits it."

Morgan Co. v. Albany Co., 40 Fed., 581.

" It would seem, on principle, that there ought to be no difficulty in restraining by injunction all persons, whether officers of a corporation or not, who are aiding in the promotion of the infringing sale and use, whether such persons would be liable for profits or damages or not. It has been so held by this Court (*Goodyear v. Phelps*, 3 Blatch. C. C. R., 91, Case No. 5581; *Poppenhausen v. Falke*, 4 *Id.*, 433, Case 11,279)."

Cotton Tie Co. v. McCready, 1 Fed. Cas., 634.

See, also,

Rupp v. Elliott, supra.
Travers v. Beyer, 26 Fed., 450.
Commercial Co. v. Autolux Co., 181 Fed., 387.
New Jersey Co. v. Weinburg, 183 Fed., 588.
Celluloid Co. v. Zylonite Co., 30 Fed., 437.
Wallace v. Holmes, 9 Blatch., 85.
Renwick v. Pond, 10 Blatch., 39.
Richardson v. Noyes, 10 O. G., 507.
Bowker v. Dows, 3 B. & A., 518.

Complainant's Remedy is in Equity for Infringement of its Patents, and not at law for Violation of the License Contract.

As shown by the certificate, the suit was brought " for the infringement of two Letters Patent." The lower Court granted an injunction restraining the defendants " from infringing upon said

Letters Patent." The propriety of suing in equity for infringement, rather than at law for violation of the license contract, having been questioned in the lower Court, the authorities sustaining the former procedure may properly be referred to.

The leading case in this Court is *Littlefield v. Perry*, 21 Wall., 205, opinion by Mr. Chief Justice WAITE. There, suit for infringement having been brought by an assignee of the patent, it was contended that, since his standing as such assignee involved the construction of the contract of assignment, his remedy could not be pursued under the patent laws. The Court held the suit properly brought under the patent laws, saying:

"An action which raises a question of infringement is an action arising 'under the law,' and one who has the right to sue for the infringement may sue in the Circuit Court. Such a suit may involve the construction of a contract as well as the patent, but that will not oust the Court of its jurisdiction. If the patent is involved, it carries with it the whole case."

A more recent authority in this Court is *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U. S., 282; 46 L. Ed., 910. In this case the decision of the Circuit Court of Appeals for the Third Circuit in *Atherton Machine Co. v. Atwood-Morrison Co.*, 102 Fed., 949, was referred to as "one of the most recent and satisfactory on the point.

The rule of the Atherton Machine Company case is:

"Where a bill in equity states a contract between complainant and defendant, and which it seeks to have set aside in order to pursue the defendant as an infringer, or where the bill states a contract between complainant and defendant, which it seeks to enforce, as giving complainant title to the patent, the case cannot be said to arise under the patent laws. In either case the court is called upon to administer the law of the contract, and not the patent law of the United States, or rights claimed under them. But, where the contract set up or stated is not between the parties to the suit, it is collateral thereto, and cannot, therefore, give character to the case as being on the contract, and not one arising under the patent laws."

Most of the pertinent authorities are referred to in the opinion of the Circuit Court of Appeals for the Seventh Circuit in *Victor*

Talking Machine Co. v. The Fair (supra). In that case the bill had been dismissed by the lower Court on demurrer averring, *inter alia*, "that appellants' cause of action, if any, arose through the violation of a contract, and not through the infringement of a patent" (123 Fed., 425). In reversing this decision the Appellate Court, citing, among other decisions, *Littlefield v. Perry (supra)*, formulated the test based upon the latter case and the previous decision of the Supreme Court in *Wilson v. Sandford*, 10 How., 99, saying:

"If the plaintiff is seeking a judgment for damages, or a decree for an injunction and an accounting, on account of the defendant's unauthorized use of a patent right in making or using or selling the device without license, the cause of action arises out of the patent laws; and, though the determination of the issue of infringement or no infringement may involve the interpretation of the contract, the insistence of the defendant that his act was within his rights under the contract, if properly construed, cannot change the nature of the action."

"* * * the suit is not upon a promise to keep out of the reserved portion of the monopoly, but is for the trespass in entering without permission."

See, also, *Ball & Socket Fastener Co. v. Ball Glove Fastening Co.*, 58 Fed., 818; *Seibert Cylinder Oil Cup Co. v. Manning*, 32 Fed., 625; *Dunham v. Bent*, 72 Fed., 61; *Indiana Co. v. Case Co.*, 154 Fed., 366.

When properly understood (*Edison v. Pike*, 116 Fed., 865), the *obiter dicta* toward the close of this Court's decision in *Keeler v. Standard Folding Bed Co.*, 157 U. S., 659, 666, has no bearing upon the present point. There it was expressly found that an outright and unconditional sale had been made, which freed the patented device from the monopoly of the patent. This Court suggested that by "special contracts" the patentee might "protect himself," but that "such a question would arise as a question of contract," and not as one under the inherent meaning and effect of the patent laws. Of course, the obvious distinction is (Button-Fastener Case, 77 Fed., 300) that here there is no question of "special contract" designed to protect the patentee in the use of a thing which has once become freed from the patent monopoly. On the contrary (see

quotation, *ante*, pp. 11–12), the Rotary Mimeograph is never freed from the patent monopoly, except to the extent that its use is permitted with the complainant's supplies. In other words, instead of being unconditionally sold, it is conditionally licensed, and a use in excess of the terms of the license is an act of infringement, the licensee becoming, so far as such excessive use is concerned, practically a stranger to the patent monopoly. Incidentally, it may be remarked that this distinction is also true as between the case at bar and *Morgan Envelope Co. v. Albany Co.*, 152 U. S., 425, as pointed out by the Court of Appeals for the Sixth Circuit in the Button-Fastener case.

Apparently, although this is somewhat beside the point, under the facts here presented, complainant was at liberty to sue either under the patents (for infringement) or under the license contract (for the breach) or under both.

> " But, when a patentee imposes such restrictions, they may likewise constitute a contract between the patentee and his direct vendee or licensee. In such case the patentee would have a double remedy—an action in tort for infringement, or an action for the breach of the contract. The double remedy in such circumstances is noticed in *Heaton-Peninsular Button-Faster Co. v. Eureka Specialty Co.*, 77 Fed., 288, 25 C. C. A., 267, 35 L. R. A., 728, and in *Victor Talking Machine Co. v. The Fair*, 123 Fed., 424, 51 C. C. A., 58."
>
> *Park v. Hartman*, 153 Fed., 24–27.
>
> And see *Rupp v. Elliott*, 131 Fed., 730–732.

It elected, as above stated, to sue " for the infringement " (Certificate) of its patents because, under the peculiar circumstances (*ante*, p. 18) by no other proceeding could it obtain adequate relief.

Is Complainant's License Contract " Unilateral," and for this Reason Void ?

The defendants argue that the license contract in question is unilateral in that it does not require the complainant to sell the supplies to be used upon its machine, that it does not fix the price at which such supplies shall be sold, that it leaves the complainant free to discriminate between its licensees, etc.

Were this a suit to restrain the breach by the licensee of his contract, or to restrain the defendant from inducing a party to the contract to break that contract, the question might properly be considered, but, as already stated, this is not such a suit. The suit was brought to restrain the infringement of the complainant's patents. The question before the court is not a matter of contract. The defendants are charged with the tort of infringement. In determining whether or not the charge is true it is incidentally necessary to determine the limits of the license to use given by the complainant to its licensee, because if the license covers the acts of the licensee in question it would constitute a complete defense. This is a very different question from that of what contracts may lawfully exist between the parties.

The argument made by the defendants herein, that the contract is unilateral, was also made in the Button Fastener case, and was disposed of by the court without comment, doubtless because it was irrelevant. Nor is it necessary, under the circumstances of this case, to enquire if, in a suit under the license contract between complainant and its licensees, the Court would imply an obligation on the former to furnish the supplies, charge reasonable prices, etc. It is plain that the self-interest of the patentee would restrain him, if nothing else would, from refusing to carry out his part of the plan in question or from imposing extortionate prices for the supplies.

Under the license plan in issue, the complainant can profit from its patent monopoly only by maintaining the license relation between it and its licensees. Its royalty is represented by the profit on sales of the supplies. An excessive price therefor, refusal to furnish them at all, an unfair discrimination as between one licensee and another, would be perhaps the most effective way of destroying what value there may be in complainant's patent monopoly. This is so manifestly true as doubtless to appeal to the licensee when negotiating for a machine. And unless his desire to partake, to the limited extent possible, in the patent monopoly be sufficient to warrant him in accepting the license contract required by the peculiarities of the complainant's situation, he is perfectly free to decline it.

Nor, we believe, is it pertinent here to inquire what, as a result of the unilateral character of the license, the complainant *might* do if it saw fit. The defendants do not charge that it *has* done any of the things which they affect to fear; merely that it *might* do them. As Judge TOWNSEND said, in his dissenting opinion in *Cortelyou v. Johnson*, 145 Fed., 938: "The machinery of such court would be adequate," were a court of equity called upon to interpose. "It will be sufficient, however, to consider the question when it arises."

See, also, *Light Co. v. Electric Co.*, 53 Fed., 598, C. C. A., Second Circuit, where it was said:

"When it shall be made to appear that some one, to whom in fairness and good conscience these complainants should sell their lamps, has been arbitrarily refused them, save upon oppressive and unreasonable terms, it will be time to consider whether the complainants should be allowed to continue in possession of the injunction."

Should complainant arbitrarily refuse to furnish one of its licensees with the supplies necessary for use upon the latter's licensed Mimeograph, unquestionably the law would imply a right on the part of the licensee either to make such supplies himself or to procure them from a third party.

It is perhaps unnecessary to point out that the certificate in this case does not exclude the possibility that expressly, and by means other than the concise "license restriction," licensees are guarded against the very evils which opposing counsel affect to fear.

Cases in this Court Bearing Upon Territorial Assignments.

The cases of *Adams v. Burks*, 17 Wall., 453, *Hobbie v. Jennison*, 149 U. S., 355, and *Keeler v. Folding Bed Co.*, 157 U. S., 650, have, so far as we can see,* no real bearing upon any question here at

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* "These cases in the Supreme Court, however, are concerned only with the rights of a mere territorial owner as against one who has bought the goods outright, and without any contractual restriction" (*Edison Co. v. Pike*, 116 Fed., 864).

issue, although that they have has been repeatedly urged in many of the cases brought under the Mimeograph and Neostyle patents, as heretofore specified. These cases are authority for the propositions, *first*, that the outright and unconditional sale of a patented article forever frees the same from the patent monopoly, and, *second*, that although such outright and unconditional sale be made by one whose right to make, use and sell the patented device is limited with respect to territory, yet the article so unconditionally sold may be lawfully used in other and different territory in which the vendor was not authorized.

The principal reason why these cases are without pertinency here is that stated by Mr. Justice LURTON in the Button-Fastener case, 77 Fed., 300, when differentiating that case from *Morgan Envelope Co. v. Albany Co.*

"In the case at bar the purchaser expressly agreed, by contract, that his right to use the machine should not extend beyond its use with staple fasteners furnished by the patentee."

In essence, the distinction is between a case where, by reason of an outright and unconditional sale, the patented article becomes free from the patent monopoly, and a case where, by reason of the express limitation of a license agreement, the patented device is retained within the patent monopoly, save to an expressly defined extent, within the limits of which the vendee or licensee is licensed under the patent.

No Effective Distinction Between Button-Fastener Case and Case at Bar. (And see *post*, p. 72.)

As heretofore indicated, the facts in the case at bar (brought under the Mimeograph patents) are essentially the same as those in the former cases (brought under the Neostyle patents), and in the very first of these (*Cortelyou v. Lowe*, 111 Fed., 1005), the Appellate Court for the Second Circuit held the case to be "in its facts practically identical" with the Button-Fastener case. We can antici-

pate no attempt at differentiation here save such as might be grounded upon the fact that in the Button-Fastener case the defendant's staples were stated to be capable of no lawful use while the certificate in the case at bar does not include a similar finding as to defendants' duplicating ink. This, however, is of no importance in view of the unlawful intent with which, as the certificate does show, the latter was sold.

The gravamen of the tort of contributory infringement is the unlawful intent of the infringer. This may be proved in two ways. If the thing which he produces be incapable of lawful use, mere proof that he produced it at all carries with it the presumption of unlawful intent. If, on the other hand, that thing be capable of a lawful use, as well as an unlawful use, mere proof of its production is insufficient. His evil intent must otherwise be made to appear, and until it has been the patentee is without remedy.

In the Button-Fastener case, since the defendant's fasteners could only be used unlawfully (*i. e.*, in the licensed machines), the unlawful intent was presumed. In the case at bar, similar unlawful intent was proved and is shown by the certificate itself. Not only was Henry's ink "suitable for use upon said Mimeograph", but he sold it to the licensee "with knowledge of the said license agreement and with the expectation that it would be used in connection with said Mimeograph".

These two methods of establishing contributory infringement, either by necessary presumption or by proof, are well settled by the authorities.

Probably the leading case is *Thomson-Houston Electric Co. v. Ohio Brass Co.*, 80 Fed., 712, 721 (C. C. A., Sixth Circuit), decided by (then) Circuit Judges TAFT and LURTON and District Judge CLARK (opinion by (then) Circuit Judge TAFT). In this opinion, practically all the authorities on the subject of contributory infringement are referred to. The Court said:

"From the earliest times, all who take part in a trespass, either by actual participation therein or by aiding and abetting it, have been held to be jointly and severally liable for the injury inflicted. * * * Many of the most valuable patents are combina-

tions of nonpatentable elements, and the only effective mode of preventing infringement is by suits against those who, by furnishing the parts which distinguish the combination, make it possible for others to assemble and use the combination, and who, by advertisement of the sale of such parts and otherwise, intentionally solicit and promote such invasions of the patentee's rights.

* * * * * * * *

"What we have said has application only to cases in which it affirmatively appears that the alleged infringer is offering the parts with the purpose that they shall be used in the patented combination. We have found that it does so appear here, and is a matter of certain inference from the circumstance that the parts sold can only be used in the combinations patented. Of course, such an inference could not be drawn had the articles, the sale or offering of which was the subject of complaint, been adapted to other uses than in the patented combination. In the latter case the intention to assist in infringement must be otherwise shown affirmatively."

In the recent case of *Harper v. Kalem Co.*, 169 Fed., 61 (March, 1909, C. C. A., Second Circuit, COXE, WARD and NOYES, C. J. J.), the Court said (p. 64):

"It is next objected that the defendant cannot be held as a contributory infringer, because its films are capable of innocent use; *e. g.*, exhibitions for private amusement. This fact only compels the complainants to prove that the defendant does promote a guilty use of them."

To the same effect, see *Rupp v. Elliott*, 131 Fed., 730, 732, 733 (C. C. A., Sixth Circuit); opinion by (then) Circuit Judge LURTON. See, also, *Cutler Co. v. Union Co.*, 147 Fed., 266, 275; *Bullock Co. v. Westinghouse Co.*, 129 Fed., 105, 111; *Williams Co. v. Miller Co.*, 107 Fed., 290, 293.

It is apparent, therefore, that no valid distinction can be drawn between the facts in the Button-Fastener case and the facts in the case at bar. They are, as the Court of Appeals for the Second Circuit said, in the Lowe case, "practically identical."

Public Policy.

In the court below, the defendants argued that the license in issue was contrary to public policy and therefore invalid. This argument was based largely upon the theory advanced by Judge

COXE in *Cortelyou v. Johnson*, 145 Fed., 933, that the doctrine of the Button Fastener Case did not properly cover the case when the unpatented article sold by the defendant for use on the licensee's machine was a "public commodity," and that a license which restrained the licensee from the use of such material upon the licensed machine was against public policy and could not be sustained.

Imprimis, it may be doubted that the opinion in question can be given any weight here, if for no other reason than that there is nothing before the Court to indicate that the particular ink sold by the defendant is, in fact, a "public commodity," or even that it is capable of use otherwise than on complainant's machine. Certainly, the certificate is silent upon the point, and if any presumption is to be indulged it must be that the holding at circuit that "defendants' ink is a special ink," and "ink of peculiar make" (149 Fed., 425, 426), establishes the fact. Quite apart from this, however, we believe Judge COXE's opinion, utterly at variance in important respects with many preceding judicial utterances, to involve essential error, requiring in the interest of the orderly administration of the law, review by this Court. (Attempt was made to secure a review (207 U. S., 196 and 210 U. S., 345), but without success.) That error, coloring the whole opinion, is concisely stated in the dissenting opinion of Judge TOWNSEND immediately following the opinion of Judge COXE.

As will be seen (145 Fed., 933, 934), the Appellate Court for the Second Circuit had, prior to the decision in the Johnson case, to wit, in *Cortelyou v. Lowe*, 111 Fed., 1005, "fully accepted and approved" the decision in the Button-Fastener case. It had also applied the doctrine of law enunciated in the latter case to the Lowe case (p. 934), in which the unlawful act complained of was the "sale of ink to licensees of the Neostyle machine." At no place, however, in Judge COXE's opinion, is it even attempted to distinguish between the facts in the Johnson case and those in the Button-Fastener and Lowe cases. That opinion, when analyzed, presents this proposition—that, although a patentee may lawfully

ant a license to use a patented machine only within certain rrow limits and in connection with certain supplies and a use by e licensee other than that permitted will be an infringement of e patent, yet public policy demands, because of the possibility at the future may develop an abuse of this course, that where the pplies with which the machine may not be used can be char-terized as "public commodities," the limitations cannot stand, d a contributor to the unpermitted use is not guilty of infringe-ent.

It seems apparent at the outset that there is here involved a interpretation of the word "exclusive" in the Statute, essentially fferent from any interpretation which has thus far obtained. nder that reinterpretation, the "exclusive" property right in an vention becomes no longer exclusive. What has been regarded "an absolute monopoly constitutionally conferred by the vereign law-makers", becomes merely "a right limited or con-tioned according to the sentiment of judges" (154 Fed., 363). hat has heretofore been an undeniable right on the part of yone to agree not to do a certain thing, in order to realize nefits given him in exchange for such a covenant, becomes, nder the view expressed by Judge COXE, a right which can be ercised only under certain peculiar conditions, difficult, if not mpossible, of ascertainment at the time the contract is made. his (*Hobbs v. McLean*, 117 U. S., 567, 579) partakes more of gislation than interpretation.*

Close scrutiny of the opinion under discussion for the purpose developing the *reasons* underlying the conclusion reached, shows at what impelled that conclusion was *not any condition which en or theretofore existed, but merely a condition which the Court*

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* "A contract is not to be assumed to contemplate unlawful results unless a r construction requires it upon the established facts."

Cincinnati Co. v. Bay, 200 U. S., 184 (opinion by Mr. Justice HOLMES).

See also

Oregon Co. v. Winsor, 20 Wall., 64.
Hobbs v. McLean, 117 U. S., 567.
United States v. R. R. Co., 118 U. S., 235.

regarded as possible in the future. In other words, the Court declined to sustain the license contract because of the possibility of future abuses of the license plan, calculated to impose "unwarrantable restrictions upon trade". It is this theory as to the necessity for the ruling in question that Judge TOWNSEND, in his dissenting opinion, vigorously combats. His Honor said (p. 937):

"The whole argument *ab inconvenienti* of the majority of the Court, based on the dangerous doctrine that public policy may nullify existing laws because said laws may be perverted by future unwarranted applications or extensions thereof, seems to be fallacious in theory and unwarranted in fact. It is met by the admission of the appellants, which is abundantly established by the authorities, that by a properly worded contract in the form of a lease all the advantages sought to be secured by the owner of the patent may be effectually protected. * * * If any attempts to unwarrantably impose an onerous monopoly, such as are suggested by the majority opinion, should hereafter be so presented as to call for the interposition of a court of equity, we think the machinery of such court would be adequate for that purpose. It will be sufficient, however, to consider the question when it arises. No such question is presented in this case."

This sanctity of "public commodities" and this public policy which is so zealous in the protection from possible abuse by patentees of trade in such "public commodities" that it is prepared to override and place a serious limitation upon the exclusive monopoly of the patentee, granted under a policy formulated in accordance with the express power given by the Constitution, and adhered to hitherto without a suggestion of disapproval, first appeared in the dictum of Judge COXE, in *Cortelyou v. Johnson.* That there existed a separate class of commodities over which the patentee should not be allowed to exercise any influence, was first suggested in that decision, but the contention that public policy will not allow the patentee to obtain a monopoly in unpatented articles has been advanced by the defendants in every case involving the principles now under consideration since the question first arose.

"What we are asked to do is to mark another boundary line around the patentee's monopoly, which will debar him from engrossing the market for an article not the subject of a patent. To do this, we are asked to say that he cannot license others to use

is invention on condition that they shall use it only in conjunction ith a non-patentable article made by himself. The only reason ıggested for this limitation upon his right to define the terms upon hich others may use his invention is that a monopoly in the un-ıtented article may thereby be created."

Button Fastener Case, 77 Fed., 288, 294.

This contention was disposed of clearly and logically in the utton Fastener case. It was there shown that what the patentee ot by his so-called monopoly of such an article was not a true onopoly, but depended upon the popularity and utility of the vention, and that its duration would be only just so long as the vention remained superior to all other means for accomplishing ıe desired results.

"So long as their invention controls the market for button-fas-ning appliances, and to the extent that their machines shall super-de other modes of clinching staples, just so long will they be ıabled to control the market for staples. Their monopoly in an ı unpatented article will depend upon the merit of their patented evice. * * * The monopoly in the unpatented staple results as ı incident from the monopoly in the use of complainant's inven-on, and is therefore a legitimate result of the patentee's control ver the use of his invention by others. Depending, as such a onopoly would, upon the merits of the invention to which it is a ere incident, it is neither obnoxious to public policy, nor an illegal straint of trade" (p. 296).

The position taken by Judges COXE and HOLT in the Johnson se and so vigorously opposed by Judge TOWNSEND, can, we be-ve, be explained only upon the ground of misconception of the ctrine of law of the Button-Fastener and subsequent similar ses. This misconception seems plainly indicated at that rtion of the opinion (145 Fed., 935), in which the suggestion made that to hold the ink-seller guilty would require an *pansion* of the doctrine of contributory infringement as laid down the Button-Fastener case and followed by the same Court in the owe case. Judge COXE was persuaded that "the complainants ould be confined strictly to existing law." It is, we believe, per-ctly manifest that the existing law was, and is, quite sufficient, d that if Judge COXE thought it was not this was because he

assumed that under the peculiar facts presented the doctrine of contributory infringement applied, if at all, in a manner different from that in which it has been applied ever since the leading case of *Wallace v. Holmes*, 9 Blatch., 65.

Save for the Cotton Tie cases (*post*, p. 55) the doctrine of contributory infringement was commonly, if not exclusively applied, from the time of *Wallace v. Holmes* down to the time of the Button-Fastener case, to cases where the defendant furnished but a part of the patented article, thereby enabling another to complete the patented combination. Now, it is elementary that a true patentable combination may, and usually does, inhere in the assemblage of a series of old elements, which, when so assembled, produce a new result. To *directly* infringe such a combination claim, the infringer must (*Fay v. Cordesman*, 109 U. S., 408) reproduce the combination by such an assemblage of all of the constituent parts. To *contributorily* infringe such a claim, the infringer must furnish one or more of the elements of the combination, with intent that they be combined with other elements not furnished by him, whereby the combination may be made complete. In practically all of the cases brought for such an unlawful contribution, the thing furnished by the contributor was an unpatented thing; in other words, merely one of the old elements of the combination. It is obvious, in these cases, that, so far as concerns the tort of infringement, the character of the thing contributed was of no significance whatever.

The tort resided in the use of the patented combination without the permission of the patentee, in the invasion of his exclusive right to make, vend and use the patented combination. The tort of the contributory infringer lies in his act of aiding and abetting in such unlicensed use. As said by this court very recently in *Leeds & Catlin v. Victor Talking Machine Co.*, 213 U. S., 325, 332.

"A combination is a composition of elements, some of which may be old and others new, or all old or all new. It is, however, the combination that is the invention, and is as much a unit in contemplation of law as a single or non-composite instrument. Who-

ver uses it without permission is an infringer of it. Whoever ontributes to such use is an infringer of it. It may be well here o get rid of a misleading consideration. *It can make no difference s to the infringement or non-infringement of a combination that one f its elements or all of its elements are unpatented.*" (Italics ours.)

In such a case the actual infringer has no right to use the pat-nted combination. Can it make any difference that he had per-nission to use the patented combination to a certain limited extent f his use was in fact outside the permission granted by the pat-ntee? If the patentee has relinquished a small portion of his nonopoly, carefully indicating the extent to which he has re-inquished it, and receiving compensation therefor only in propor-ion to such extent, can the purchaser of this limited field of use nvade with impunity and without further compensation the whole ield of use?

Judge COXE's theory that the Johnson case required an expan-ion of the doctrine of infringement, and that to sustain the com-lainants' rights "existing law" was not sufficient, seems to have een based upon the misconception that where contributory in-ringement is charged there is an essential difference between an ncroachment upon a patentee's *exclusive right of manufacture* and n encroachment upon his *exclusive right of use.* For this there is, f course, no authority in the adjudicated cases, and logically there ould be none.

It follows that if Judge COXE's opinion can be regarded as for-nulating the rule that contributory infringement can be present in uch a case as that at bar only if the thing contributed by the in-ringer (with the necessary unlawful intent) be not an "ordinary ommodity," then that rule is equally applicable to cases of the char-cter which have engaged the attention of the Courts since *Wallace . Holmes,* and where it was the patentee's exclusive right to man-facture that was invaded. If therefore, under this view, one of the lements of a patented combination could be shown to be a "public ommodity," the producer thereof might with impunity furnish the ame to a third person, who by its use could complete the patented ombination, and yet neither would be guilty of infringement,

direct or contributory, and the solemn grant of the Federal Government of the "exclusive right" would be transformed into a mere farce. It seems evident that but for this misconception on Judge COXE's part, and had his Honor followed his conclusion to its direct and necessary end, the criticism expressed in his opinion would never have seen the light of day.

Nor, we believe, can such a criticism or the establishment of a general rule of law be justified on the theory that although not required by any existing state of facts, yet because of what might be developed in the future ("the doctrine *may* be expanded *ad infinitum*") such a rule *might* become necessary, as a matter of public policy. Our position, frankly stated, is that (Bement case) "*any* conditions which are not in their very nature illegal", and which are acceptable to a patentee and his licensee, concern them only, and that the public has nothing to do with the matter whatever. The patent laws give the patentee the right to impose upon his licensee any legal conditions, no matter what their character, and if the licensee sufficiently desires a share of the patent monopoly to bind himself not to use a "public commodity", it is of no concern to the public that he has thus limited his activities, if for no other reason than because the rights of the public are thereby in nowise affected.

Judge BAKER in *Rubber Tire Wheel Co. v. Milwaukee, etc., Co.*, 154 Fed., 358, stated this position with force:

> "Congress put no limitations, excepting time, upon the monopoly. Courts can create none without legislating. * * * Use of the invention cannot be had except on the inventor's terms. Without paying or doing whatever he exacts, no one can be exempted from his right to exclude. Whatever the terms, courts will enforce them, provided only that the licensee is not thereby required to violate some law outside of the patent law, like the doing of murder or arson."

Undoubtedly the public has the right to the use of a "public commodity" in a lawful way. It has, however, no right to use it unlawfully. It has, for example, no right to use either a public commodity or anything else for the purpose of violating a patent.

An ink-seller, having the same rights as the rest of the public, has the undoubted right to sell ink, and he is not restrained in this regard by an injunction against infringing complainant's patents. He has no right to procure his ink to be used in infringement of the complainant's exclusive right of use, and this is as far as the injunction in the present case extends. Neither ink-manufacturers nor any other persons or concerns classifiable as a part of the "public" ever had the right to invade the monopoly which the Federal Goverment has assured to the complainant. Since they never had this right, they are deprived of no right by exclusion from the complainant's domain save to such extent as the complainant chooses to let them in.

Down to the time of the decision of this Court in *Bobbs-Merrill Co. v. Strauss* (210 U. S., 339; 52 L. Ed., 1090), the ruling in the so-called "Cotton Tie Case" (106 U. S., 89; 27 L. Ed., 79) was generally regarded as directly upon the proposition of law now involved (and see *Morgan Co. v. Albany Co.*, 152 U. S., 425). In the Bobbs-Merrill case, however, the decision in the Cotton Tie case was held to have involved the law of reconstruction, rather than the law of contributory infringement due to a use of a patented apparatus in excess of the terms of a license. Assuming this, there is at least, in the opinion in the Cotton Tie case, no expressed dissent from the rulings of Judge SHEPLEY and Judge (afterward Mr. Justice) BLATCHFORD, in the Court below, although naturally these rulings were before this Court.

In *Cotton Tie Co. v. Simmons* (17 Blatch. 160), Judge SHEPLEY said:

"The company clearly had the right, in selling a patented article, to put a restriction on its use or sale, and to convey only a restricted title, or to license only a restricted use, and the purchaser, under such a restricted title, could not convey a greater or better title than he had himself."

The opinion of Judge (afterward Mr. Justice) BLATCHFORD is even more emphatic, and moreover is peculiarly applicable to the present case, because of its reference to "an ordinary article of

commerce," such as it was contended, in *Cortelyou v. Johnson*, the particular ink there involved had become. His Honor said:

"It is difficult to see how in view of the facts of the case, the owners of these patents can properly be said to have sold the buckles for the purpose of allowing them to be used in the ordinary pursuits of life and to pass into the markets of the country as an ordinary article of commerce. They put them forth with a restriction imposed on them that they should be used 'once only' as baling ties.

* * * * * * * *

"It is manifest that the owners of the patent intended, by the stamps on the buckles and the imprints on the bale-heads, to grant a restricted license for the use of the ties and buckles, and that the intended restriction was to a use thereof once only, as baling ties; the words, 'Licensed to Use Once Only', stamped on each buckle, was notice to every one who handled it that there was attached to it a restriction in the shape of a license, and of a license merely to use, and of a license to use only once. This was a lawful restriction."

American Cotton Tie Co. vs. Bullard, 1 Fed. Cas. 629-630, 17 Blatch. 160.

The license in the Cotton Tie cases, like the license in the case at bar, was a limited license to use the patented invention, this being carved out of the patentee's "exclusive" and unlimited right. The rulings just quoted are directly upon the proposition that only such a limited use as fell within the terms of the license could be justified under such license, and that a use in excess of those terms was not a use under the license, but a violation of the patents under which the license had been granted.

Public Amply Protected by Self-Interest of Licensor.

So far as the "public policy" argument is concerned it is believed that Judge TOWNSEND, in his dissenting opinion in the Johnson case, touched the vital consideration in this connection when he said:

"The self-interest of the patentee, seeking to derive a profit from his patent, will sufficiently protect the public against burdensome or unreasonable restrictions upon its use."

Probably the best illustration of the truth of this statement may be given by reference to a condition suggested in the majority opin-

ion itself. Discussing this plan of selling under license restrictions the Court asks: "Should the patentee of a motor car, by such proceedings, be able to hold a monopoly on all gasoline used in its propulsion?" This, and similar suggestions, the Court admits "may seem to be extreme cases," and so they are. Just as in the well-known case of *Adams v. Burks (supra)*, Mr. Justice BRADLEY found a similar "extreme case" in the suggestion that if the patented thing were an article of wearing apparel which could be used only in the State in which it was sold, the purchaser could not "wear the article outside the district." This his Honor disposed of very briefly, saying:

> "The answer to acute suggestions of this sort would probably be found (in the absence of all bad faith in the parties) in the maxim *De minimis non curat lex.*"

The whole fact is that the "self-interest" of the patentee acts as an automatic governor, guaranteeing the public in most emphatic manner against abuse of the doctrine of contributory infringement.

Thus, in the case of the motor-car, were this licensed under Letters Patent for use only with gasoline sold in Georgetown, the car would be purchased by no one who expected to run it farther than the Georgetown supply would permit. The major part of the business, possibly all of it, would go inevitably to the dealer willing to sell outright or whose license, if he granted one, involved less onerous restrictions. If the vendor of the motor-car first referred to were daring enough even to attempt a restriction so absurd as that suggested, he would speedily be brought to his senses by decreasing sales (or no sales at all), with the result that he would be forced to adopt the plan either of unconditional sales or of sales upon conditions acceptable to users.

If the complainant in the Cotton Tie cases had sold the patented ties under the license restriction that they might be used only North of Mason and Dixon's line, where no cotton is grown, that fact alone would have driven one who would otherwise have become a licensee to bale his cotton by some other tie, either sold outright or licensed for use in the cotton-growing States.

So, also, if the Rotary Mimeograph license precluded lawful use of that machine save upon a table of massive gold, this too would at once suggest to the prospective licensee the wisdom of having his duplicating work done in some other manner. **And the invention which to-day the public is more than glad to have, under the license which the complainant is prepared to grant, would be throttled to death by the restriction and be withheld from the public until the expiration of the patent.**

The truth of this proposition is not even debatable; **in exactly the proportion that a patentee loads his licensee with onerous burdens, in that proportion does he take the chance that he will find no licensee to load with anything.**

The public, we repeat, is adequately protected from the imposition of "unwarrantable restrictions upon trade" by the very necessities of the patentee's situation. It is his "self-interest," more than the fear of judicial disapprobation, that guards the public therefrom.

Reasonableness of License.

While, as we believe, if a patentee agree to divide his monopoly at all, he may make (Bement case), "any conditions which are not in their very nature illegal," and these will be sustained if agreed to between licensor and licensee, no matter whether reasonable or not, yet we may with propriety point out that in the case at bar, the condition imposed upon the licensee is not only reasonable but also necessary to the enjoyment of both licensor and licensee of the full benefit of the patent monopoly. The license condition, as previously indicated, practically guarantees the licensor against injury to the reputation of the patented device and the licensee against poor results which that device, unlawfully used, would produce. Indirectly, it guarantees the public, for whom the work is done, copies of a high degree of excellence. If, therefore, there be any analogy

between the case at bar and the cases on partial restraint of trade (see, for example, *Fowle v. Park*, 131 U. S., 88; 33 L. Ed., 67), and if it could be held that this Court meant (in the Bement case) not "*any* conditions," but any *reasonable* conditions, the complainant's position is still impregnable, for here the reasonableness of the license limitation is beyond question. So also is the necessity for that limitation if the complainant is to enjoy to its full extent the "exclusive" rights guaranteed by its patents.

Looking at the matter from the standpoint of the law of contracts, and having in mind that the license agreement between complainant and its licensees is one by which the latter practically contract not to put the patented machine to unlawful use (*Hartman v. Park*, 145 Fed., 370), the following extract from the opinion in the Button-Fastener case is decidedly in point:

"In considering any question in respect of restraints upon the liberty of contracting, imposed by principles of public policy, we should bear in mind that very high considerations of public policy are involved in the recognition of a wide liberty in the making of contracts. This caution was well expressed by SIR GEORGE JESSELL in *Registering Co. v. Sampson*, L. R., 19 Eq., 462, 465, who said:

"'It must not be forgotten that you are not to extend arbitrarily those rules which say that a given contract is against public policy, because, if there is one thing which, more than another, public policy requires, it is that men of full age and competent understanding shall have the utmost liberty of contracting, and that their contracts, when entered into freely and voluntarily, shall be held sacred, and shall be enforced by courts of justice. Therefore, you have this paramount public policy to consider,—that you are not lightly to interfere with this freedom of contract.'

"Especially is this caution applicable when we sit in judgment upon the limitations which a patentee may put upon the use of his invention."

It is interesting to note that in the Bement case precisely this question arose, *i. e.*, as to whether the contracts in issue "were not repugnant to any rule of public policy as in restraint of trade, and were not intended to create a monopoly". These contracts "tended to keep up the [illegible] of the implements manufactured and sold". This Court held [illegible] not repugnant to public policy, saying that the price maintenance provision "was only recognizing the

nature of the property dealt in, and providing for its value so far as possible. This the parties were legally entitled to do."

The Decision of the Court of Appeals for the Second Circuit in the Æolian Case.

This case, *Æolian Co. v. Juelg Co.* (previously referred to), was decided by the Appellate Court for the Second Circuit after the decision in the Johnson case and is of peculiar interest, not only because of the correspondence between the law and facts involved and those in the present case, but also because of Judge COXE's concurrence in the determination.

The defendant's music-rolls were concededly adapted for use both in the licensed pianolas and in "several other varieties of self-playing pianos which are on the market and not covered by complainant's patent." Nevertheless, the defendant's sale of one of these (unpatented) music-rolls for use in the licensed pianola was held to constitute contributory infringement. After remarking that the injunction granted by the lower Court did not "prohibit defendant from selling generally, nor from selling rolls to be used with other instruments than complainant's," the Appellate Court confirmed the order of the lower Court granting the injunction.

It is quite evident from his concurrence in this case that Judge COXE did not mean to intimate in the Cortelyou-Johnson case that under the facts of the latter a defense resided in the showing that the unpatented thing unlawfully sold was capable nevertheless of an innocent use. This case, however, suggests the difficulty of any determination which proceeds upon the "public commodity" theory which he had previously suggested, *i. e.*, upon what ground and in view of evidence of what character is the line to be drawn between what is and what is not a "public commodity"? In the Johnson case, although there was no express holding upon the point, the clear inference is that under the facts there proved the particular ink involved was a "public commodity," or one of the "staple articles of commerce." But what made it so, and can it be

regarded as more so than a music-roll, which, like that ink, is capable of lawful use as well as unlawful use? Judge COXE points to no method of escape from the embarrassment of such a determination. For ourselves, holding the views heretofore expressed, we can see no reason why such an embarrassment should exist, for the reason that the inquiry is not pertinent. And we can see no essential difference between the use of unpatented rolls in a licensed pianola and the use of unpatented ink in a licensed Rotary Mimeograph, so far as concerns the right of the patentee of either to insist that the conditions imposed by him and agreed to by his licensee should be performed and not violated.

Defendants' Unlawful Intent.

The defendants were guilty of the tort of contributory infringement when (Certificate, p. 1, fol. 2), "with knowledge of the said license agreement and with the expectation that it would be used in connection with said Mimeograph", they (or one of them in behalf of the partnership) sold their ink "suitable for use upon said Mimeograph" to complainant's licensee, who might not lawfully use it thereon. The machine not being defendants', but the licensee's, naturally the defendants could not actually put the machine to the unlawful use. Their contribution to such use, however, was complete when they had done all in their power, as undoubtedly they did, to procure that use at the hands of the licensee. Under the authorities, it is unnecessary to prove that the machine ever was, in fact, actually used with the defendants' ink.

In *Rupp v. Elliott (supra)*, Mr. Justice LURTON (then Circuit Judge) said (p. 733):

"But it is not essential that there shall have been any actual infringement, in order to entitle the complainant to an injunction. The selling and offering for sale with the intent and purpose to bring about an infringement are enough to entitle complainant to an injunction to prevent the threatened injury." (Cases cited.)

"Every offer to sell, to the users of such machines, coils or spools of wire suitable only for use in such machines, with knowledge of the limited license of the users, and with the intent that the article shall be used in such a way as to defy the terms of the

license, is a proposal for a concert of action in bringing about an infringement."

In *Thomson-Houston Co. v. Kelsey Co.*, 75 Fed., 1008 (C. C. A., Second Circuit, WALLACE, LACOMBE and SHIPMAN, C. J. J.), the Court said:

"It sufficiently appears from the defendant's advertisements and affidavits that it was ready to sell to any and all purchasers, irrespective of their character as infringers. A proposed concert of action with infringers, if they presented themselves, is fairly to be inferred from the obvious facts of the case; and an injunction order is the proper remedy against wrongful acts which are proposed, or are justly to be anticipated."

In *Thomson-Houston Co. v. Ohio Brass Co. (supra)*, the Appellate Court for the Sixth Circuit, after referring to defendant's sales, said:—

"This is an effort to secure a concert of action by which the combinations of complainant's patents may be assembled. If successful, infringement will follow; hence the preliminary steps which are intentionally taken to bring about the injury may be enjoined."

In *German Filter Co. v. Loew Co.*, 103 Fed., 306 (affd., 107 Fed., 949), Mr. Justice DAY (then Circuit Judge) said:—

"If the defendants are selling a filter *intended* to be used in combinations which, if unlicensed by complainant, would be an infringement of the patent, then they would be infringers. * * * I am of opinion that the filter of defendants, when thus sold, *for the purpose above stated*, would make defendants contributory infringers."

In *Stearns v. Phillips*, 43 Fed., 795, Mr. Justice BROWN (then District Judge) said:—

"While defendants may have the right to make these bars, if they manufacture them with the intent that they shall be put together in the form of window-screens, they are liable as infringers."

See, also,

Samuel Bros. & Co. v. Hostetter Co., 118 Fed., 257, C. C. A., Ninth Circuit.

Gannert v. Rupert, 127 Fed., 962, C. C. A., Second Circuit.

Authorities Other than Patent Cases.

Thus far in this brief the adjudications referred to have been almost wholly in suits brought for patent infringement. There are three other lines of cases in which it has been contended that the owner of certain property or rights was entitled to deal with his property or rights in the same manner as a patentee may deal with his invention, and in these lines of cases courts have been obliged to deal with the same principles as those involved in the present case.

One line of cases involves the rights of the owners of copyrights. The copyright owners attempted, by printing notices upon each copyrighted book of conditions under which the books were sold, to bind the purchaser to those conditions. Such conditions specified the price at which the copyrighted books should be sold. It was finally decided by this court that the rights of the owners of copyrights were essentially different from those of patentees and that in the case of copyrights, at least, such restrictions should not be enforced (*Bobbs-Merrill Co. v. Straus*, 210 U. S., 339). The differences between the rights acquired under the copyright statute and the rights secured to the inventor under the patent statute were set forth in full by the Court of Appeals for the Second Circuit in the Bobbs-Merrill case, 147 Fed., 15, 23.

"In view of the conclusions reached, it is unnecessary to express any opinion as to the scope of such attempted restrictions in the case of patented articles. It may be said generally, however, that there is such a distinction between rights of copyright and patent rights that the decision of cases under one class would not necessarily be controlling in the other class. The protection afforded by the patent law is broader in the case of patents than in that of copyright. By a grant of copyright the owner of the work acquires the exclusive right of multiplication of copies; by the grant of a patent the patentee acquires the exclusive right to make and use the thing patented. The patent law protects the production and use of the creative conception reduced to practical shape in various forms; the copyright law protects the publication of copies in the form or substance of the particular creative conception in which it has been expressed by its author. The right secured by the copy-

right act is 'the right to that arrangement of words which the author has selected to express his ideas' *Holmes v. Hurst, supra.*

"The statutory right to make a patented article and to prevent others from making it is entirely distinct from the further statutory right to use, and therefore to control the use of, the thing made.

"Furthermore, the statute permits the patentee to sub-divide his rights, and the common law protects him against any infringement of any part thereof. The copyright statute provides only for the assignment of the right as a whole, and, in terms, protects against infringement by unlawful publication."

See, also, Crown Co. v. Standard Brewery, 174 Fed., 258.

The second line of cases involves the rights of the owners of trade-marks. In *Garst vs. Hall & Lyon Co.*, 179 Mass., 588, the plaintiff sold "Phenyo Caffein" subject to restrictions as to resale prices. The bill was dismissed, the Court (Mr. Chief Justice HOLMES apparently concurring) holding that

"The plaintiff's trade-mark does not give him the rights of a patentee in property manufactured under a patent."

The third line of cases involves the rights of the owners of so-called patent medicines. These medicines were manufactured under secret processes and were then sold with restrictive agreements as to the prices at which and the persons to whom the product should be sold. In the first cases of this sort which arose the right of the owner of the trade secret to enforce these restrictions was upheld upon the ground that the exclusive right of property in a trade secret is a monopoly and that, therefore, on analogy to the rights of a patentee, the owner might sell upon such conditions as he saw fit, and the contracts so made were not within the ordinary rules as to restraint of trade. *Dr. Miles Medical Co. v. Goldthwaite*, 133 Fed., 794 (C. C., Mass.); *Dr. Miles Medical Co. v. Platt*, 142 Fed., 606 (C. C. N. D., Ill.); *Dr. Miles Medical Co. v. Jaynes Drug Co.*, 149 Fed., 838 (C. C., Mass.); *Wells & Richardson Co. v. Abraham*, 146 Fed., 190 (C. C., E. D. N. Y.).

In a carefully considered opinion by Mr. Justice (then circuit judge) LURTON, the Court of Appeals for the Sixth Circuit, in a

imilar case, decided that the rights of an owner of a trade secret ere not similar to those of the owner of a patent, and that the wner of a trade secret is not entitled to protection which will per- it him to place restrictions upon the sale of his goods which ould otherwise be in restraint of trade. *Park & Sons v. Hartman*, 53 Fed., 24. In the course of its opinion the court said :

" The only reason which has ever been given for holding that a ontract restricting the field of using, selling, or making of an article ade under a patent is that the patent statute has granted an ex- lusive monopoly which cannot be cut down by the rule against estraint for that would be to grant a monopoly by law and then roceed to take it away by law " (p. 32).

In a later case, arising under similar facts, the same court fol- owed the decision just quoted, *Dr. Miles Medical Co. v. Park & ons*, 164 Fed., 803. In affirming that decision, this Court (220 U. ., 401, 402) called attention to the distinction between the rights f a vendor of an unpatented chattel and those " derived from tatutory grant under the authority conferred by the Constitution," aying :

" The complainant has no statutory grant. So far as appears, here are no Letters Patent relating to the remedies in question. he complainant has not seen fit to make the disclosure required y the statute and thus to secure the privilege it confers. Its case es outside the policy of the patent law, and the extent of the right hich that law secures is not here involved or determined."

These cases are important only as showing most clearly hat the basis of the right for which the complainant contends, to ispose of its patented products under such conditions as it sees to impose, is the monopoly conferred upon the patentee by the atent Act, and, this being so, it is evident that the last cited ases defining and limiting the rights of the owners of copyrights, ade-marks and trade secrets are not authority for the defendants' ontention herein, since the monopoly possessed by the owners of uch property is not similar to that which Congress, under a power xpressly given it by the Constitution, has granted to inventors.

Appellants' Briefs.

In the main, these recognize the *existence* of the authorities which sustain appellee's position but question their soundness. According to appellants' counsel, " the Courts have confused the principles announced by this Court " ; " the Courts have been misled by the sound of the words," etc., etc. The decision in *Aeolian Co. v. Juelg Co.* was based upon " a wholly mistaken notion," the Victor-Fair case " should have been treated as a suit on contract," and in *Edison Co. v. Pike* " the decision was erroneous." There is thus developed a difference of opinion, with counsel for appellants on one side and, on the other, twenty-nine Federal Judges and the Privy Council of Great Britain.

Before taking up the main contentions discussed in the opposing briefs, one or two minor matters there referred to should be treated briefly and put out of the way.

1. The patents in suit were not sent up with the Certificate, and it may therefore be doubted if they are properly before the Court. Copies thereof are submitted, however, in appellants' main brief. We offer no objection but, on the contrary, express the hope that the Court will examine the copies, particularly the claims, in connection with the effort of opposing counsel to belittle the accomplishment of the patentee by the assertion that the patents cover mere details, to wit: " a stop-pin," etc. This is incorrect as the claims themselves clearly show. But the issue thus raised, although the subject is given extended treatment in the main opposing brief, is really unimportant. According to the Certificate, the patents "cover" the Rotary Mimeograph. To lawfully use that machine, the licensee had, therefore, to acquire a license thereunder. That she did this is certified by the lower Court. The validity of that license could in no wise be affected by the finding that the patents are secondary in scope rather than primary. If secondary, that fact would not absolve one who would otherwise be an infringer, either direct or contributory. The case would, of course, be quite different if the patents were invalid, since there

n be no valid license under an invalid patent. But invalidity is ot even asserted.

2. The main brief for appellants asserts (p. 17) that "the restric-on (*i. e.*, the restriction of the license in question) is not in any ay tied to a patent or patents" and argues, therefore, that it will ıtlive the patents. But the Certificate shows that the machine ıbodies the patented invention and was sold "under license", *e.*, a license concerning that invention. As to the *term* of the ense, this is unimportant for present purposes. It might be ointed out, however needlessly, that after the patents in suit shall ıve expired, suit for injunction to restrain their infringement, by ther a licensee or a stranger, will not lie.

At page 35 of the main opposing brief, it is asserted that "the striction * * * was not applied as a restriction having any-ing to do with a patent". To this the carefully formulated Cer-ficate itself seems sufficient answer.

3. Appellants' counsel assert that ink for the fast-printing encil duplicator made under the patents in suit is an "ordinary k" (Main, Brief p. 40), an "ordinary commodity." There is no sis for this in the Certificate. The Circuit Court (*ante*, p. 48), ld that the ink complained of is a "special ink," an "ink of eculiar make." Here again the point seems unimportant either ay, as already explained (*ante*, p. 54). Similarly, at page 28 of e main opposing brief, unfair use is made of the word "supplies" the license in question. Impression paper, on which the printing done, is not and never has been a supply, as opposing counsel ell know. But, as before, the point need not be elaborated, for e case before the Court is that presented by the Certificate and ot by the opposing briefs.

ppellants' Misconception as to Character of Transaction between Complainant and Licensee.

Appellants persist in regarding the transaction by which a censee acquires his patented machine from the complainant as an rdinary, outright and unconditional sale, and argue, therefore, that

the machine thus becomes freed from the patent monopoly. For example (Main Opp. Brief, p. 6), referring to the licensee, Miss Scou, opposing counsel says, "The machine was hers. She had paid for it," etc. Again (Add. Brief, p. 3) it is asserted that "the machine in question was sold to the purchaser by an ordinary, absolute sale." On this fundamental error practically the whole of appellants' argument is based.

That argument proceeds in the face of the express statement of the Certificate that the licensee's machine was sold "*under*" the license "which was attached to said machine." If it was sold "*under*" the license, certainly it was not sold *free* from the license. Also, if it was sold "under" the license, the licensee (*Morgan v. Albany*, 40 Fed. 577, 580) did not "acquire an unqualified property right in the thing purchased," for the license itself operated (Button Fastener Case, 77 Fed., 291), "to prevent the machine from passing, as in the case of an unconditional sale, beyond the monopoly of the patent" (and see Privy Council in *National Co. v. Menck*, *ante*, p. 29).

In such case, the nature of the licensee's "property right" in the licensed machine is clear. He has the physical custody of the patented machine. He has the right to use it, in its intended manner, so long as he employs complainant's ink upon it. That right of use is a part of complainant's "exclusive" right to use the patented machine and is the only right of use with which complainant has parted. After the transfer, complainant remains possessed (*ante*, p. 11), of all rights not so vested in the licensee.

A transaction of this character is termed by the Privy Council of Great Britain (*National Co. v. Menck*, *ante.*, p. 29), a "sale *sub modo.*" It is distinguished from other sales in that it is not an "unconditional sale" (Button Fastener Case), or, as some of the English cases call it, a sale "out and out."

Turning now to the additional brief for Appellants (p. 4 *et seq.*), it is not necessary to our case, whatever the true rule may be, to dispute the point first made, *i. e.*, that under the common law one

may not sell " *his whole interest or property* " (Coke on Littleton) in an unpatented chattel and, at the same time, impose a restriction applicable to resale, etc. The complainant does not, as we have seen, sell its " whole interest " in the patented machine, but only a part of it, reserving the balance. Nor is that machine an unpatented chattel.

Nor is it necessary to our case to dispute opposing counsel's second point (Add'l. Brief, p. 8), for however true this may be it is not applicable to the facts before the Court. This point refers solely to patented articles which have been sold " by an absolute sale passing the title, not conditionally, but absolutely." Logically, it must be true that patented articles *so sold* pass out from under the monopoly of the patent. But the patented Rotary Mimeograph is not so sold, as we have already made clear.

Under this point, appellant's counsel seems to misconceive or misapply the decisions of this Court in *Webber v. Virginia* and *Patterson v. Kentucky*. Unquestionably an article made under a patent is not beyond the police power of the States. This is one of the " exceptions " referred to in the Bement case. Another is the case of a telephone company which having licensed certain users was required to license others on the theory that it was, in effect, a " common carrier." " Notwithstanding these exceptions," said this Court in the Bement case, " the general rule is absolute freedom in the use or sale of rights under the patent laws of the United States." And by sustaining conditions " restricting the terms upon which *the article* may be used and the price to be demanded therefor," the Court made it clear that the patent monopoly attaches to the thing made under the patent as well as to the mental concept which originally formed the basis for the patent grant. This is, in fact, well settled law.

In the Bobbs-Merrill case (147 Fed., 15, 24), the Court of Appeals for the Second Circuit said :—

" The patent law protects the production and use of the creative conception reduced to practical shape in various forms."

In *Park v. Hartman*, 153 Fed., 24. 27, the Court of Appeals for the Sixth Circuit said:—

"Whether a remedy is sought for the violation of restrictions placed by a patentee, upon either the use or the sale of an article made under the patent, is in tort or in contract, the rules of the common law in respect of monopolies and restraints of trade have no application, because the very object of the patent law is to give the patentee an exclusive monopoly in using, making, and selling the device which embodies the invention, and this exclusive right he may exercise by contracts under which he reserves to himself so much of his exclusive right as he does not elect to sell or assign or license. It follows therefore that contracts restraining subsequent sales or use of a patented article which would contravene the common law rules against monopolies and restraints of trade, if made in respect of unpatented articles, are valid because of the monopoly granted by the patent."

In *National Phonograph Co. v. Menck*, the Privy Council said:

"In the opinion of their Lordships it is perfectly possible to adjust the incidents of ownership of ordinary goods with the incidents of ownership of patented goods in such a manner as to avoid any collision of principle. In their Lordships' view this has been done for a long period of years in England by decisions which are consistent and sound. * * * All that is affirmed is that the general doctrine of absolute freedom of disposal of chattels of an ordinary kind is, in the case of patented chattels, subject to the restriction that the person purchasing them, and in the knowledge of the conditions attached by the patentee, which knowledge is clearly brought home to himself at the time of sale, shall be bound by that knowledge and accept the situation of ownership subject to the limitations. These limitations are merely the respect paid and the effect given to those conditions of transfer of the patented article which the law, laid down by Statute, gave the original patentee a power to impose."

And see *Badische Analin, etc., v. Isler* (*ante.*, p. 28).

Opposing counsel concede (Add'l. Brief, p. 13) that "the continued control over the use of the patented article in the hands of others" can be effected by "selling it under conditional sale, providing that upon breach of the condition, the title to the article will revert to the patentee." According to them, the "continued control" results from the provision for reverter. It seems probable that this is true at common law and whether the article be pat-

ented or not. But to say that a provision for reverter is essential to "continued control" of a patented article, licensed or conditionally sold as such under the patent, is to ignore the peculiar character of the rights and remedies applicable to patent property. Those rights and remedies are strange to the common law. They are strictly the creatures of the statutory grant.

Unquestionably, at common law, when a man parts with the absolute title to personal property, no interest remains in him which can form the basis of any right to continue his control over the thing with which he has parted. But such a sale can be given the conditional characteristic in various ways, as, for instance, by making it subject to reverter in the event of a certain contingency. Upon the occurrence of that contingency, the vendor may regain possession of the thing sold.

All this applies equally to sales of patented articles. If these be sold outright and unconditionally, as merchandise is commonly sold, the right to continue the vendor's control over them is gone. By making the sale conditional, as by providing for reverter, the right to further control is continued.

In each case, the provision for reverter determines the conditional character of the transfer. It also determines the vendor's remedy. This at common law. But under the statute, the patentee has further rights and remedies, these being characteristic of the statutory grant. Primarily, he has (Park v. Hartman) "an exclusively monopoly in * * * the device which embodies the invention." He may exclude all others from making, using or selling it. Or he may transfer, in whole or in part, any of these three separable, substantive rights. And (Button-Fastener Case, 77 Fed. 290) "All alienations of a mere right to *use* the invention operate only as licenses." Therefore, if "the device which embodies the invention" be transferred "under license" (see Certificate) authorizing its use only in a certain manner, the patentee's right of continued control (to prevent unauthorized use) results as an incident of that part of the "exclusive monopoly" with which he has never parted. And this regardless of whether or not he has seen fit to

predetermine his remedy at common law by providing that upon such an unauthorized use title shall revert to him.

However essential, therefore, provision for reverter may be in the case of conditional sales at common law, it is manifestly a non-essential in the case of conditional sales and licenses under the Patent Act. Where it has been included in the latter class of cases (as in the Button-Fastener Case), its purpose doubtless was to give the patentee a remedy at common law should the patents under which the license was granted be held invalid and, therefore, insufficient to support a valid license.

Opposing counsel argue (Addl. Brief, p. 14) that the license transfer in the Button-Fastener Case was sustained because, owing to the provision for reverter, "the machine had not completely gone from the control of the patentee." This is inaccurate. It was sustained (77 Fed., 291) because "The control reserved by the patentee *as to the use of the machine* has the effect of continuing it within the prohibition of the monopoly."

The Sherman Act.

The question certified by the lower Court is, "Did the acts of the defendants constitute contributory infringement of the complainant's patents?" That Court (Certificate) "agreed as to all the questions" before it except this. Nevertheless, opposing counsel argue not only that the facts certified do not constitute contributory infringement, but also that the license contract in issue, on its face, is one which is condemned by the Sherman Law (appellants' Main Brief, p. 31).

It seems improbable that this Court will undertake, in this proceeding, to answer a question which has not been propounded. It would, therefore, unnecessarily, and in fact, unwarrantably, prolong this brief to enter upon a detailed discussion as to the relation of the Sherman Act to the facts of the case at bar. The matter may, it would seem, be briefly disposed of by reference to a few of the pertinent authorities.

In the Bement case, this Court said, referring to the so-called Sherman Act:

"But that statute clearly does not refer to that kind of a restraint of interstate commerce which may arise from reasonable and legal conditions imposed upon the assignee or licensee of a patent by the owner thereof, *restricting the terms upon which the article may be used* and the price to be demanded therefor. Such a construction of the Act, we have no doubt, was never contemplated by its framers."

In *Park v. Hartman*, 153 Fed., 24, 27, Mr. Justice LURTON (then Circuit Judge) said:

"That articles made under patents may be the subject of contracts by which their use and price in sub-sales may be controlled by the patentee, and that such contracts, if otherwise valid, are not within the terms of the Act of Congress against restraints of interstate commerce or the rules of the common law against monopolies and restraints of trade, is now well settled" (cases cited).

In *Rubber Tire Wheel Company v. Milwaukee Rubber Company*, 154 Fed., 358, 362 (C. C. A., 7th Circuit), the Court said:

"The Sherman Law contains no reference to the patent law. Each was passed under a separate and distinct constitutional grant of power; each was passed professedly to advantage the public; the necessary implication is not that one iota was taken away from the patent law; the necessary implication is that patented articles, unless or until they are released by the owner of the patent from the dominion of his monopoly, are not articles of trade or commerce among the several States."

These cases bring the subject directly back to the starting point. If the license agreement between complainant and its licensees is "valid" (*Park v. Hartman*), if the "conditions" thereof are "reasonable and legal" (Bement case), the Sherman Act has nothing to do with the matter.

That the restriction against using on the licensed machines ink not of the complainant's production is a reasonable one, and necessary to the protection of both licensor and licensee, has already, we believe, sufficiently appeared (*ante*, p. 13 *et seq.*). That it is a legal restriction we confidently assert, and there is great weight of judicial authority behind the assertion. Certainly it is not illegal for the

reason assigned by opposing counsel, *i. e.*, that it tends to restrain trade in duplicating ink. If there were any such trade prior to the advent of the patented machine, it is as untrammeled to-day as it was then. And if opposing counsel mean by "trade" sales to users of that machine, the obvious answer is that the public never had the right to make such sales and is therefore not restrained by the license restriction from the exercise of any right which it formerly enjoyed.

The demand for an ink for use on the patented machine is peculiarly and fundamentally one of the complainant's own creation. Until that machine appeared it did not exist. When, therefore, complainant's licensees, in order to obtain a share in the patent monopoly, bound themselves (not to abstain from using ink of another's production, *but*) to abstain from using such ink *on the patented machine*, no injury to the public (and that means ink makers and sellers) resulted.

As the Court said, in the Rubber Tire Case, citing *Northern Securities Co. v. United States*, 193 U. S., 197: "The true test of violation of the Sherman law is whether the people are injured, whether they are deprived of something to which they have a right." Tried by this test, the foregoing disposes of appellants' contention.

Before the Court of Appeals, appellants contended that the license agreement in question is invalid (*a*) because "unilateral" (*ante*, p. 42), (*b*) because it tends to create a monopoly in an unpatented article (*ante*, p. 50), (*c*) because such monopoly is unlimited in time (*ante*, p. 67), and (*d*) because, on general principles, it is contrary to public policy (*ante*, p. 47). All these contentions are, we find, advanced in the briefs now filed in appellants' behalf. Strictly speaking, we do not understand that any of these matters are directly referred to this Court by the certificate from the Appellate Court for the Second Circuit. How far they may properly be considered in answering the only question so referred, we are well satisfied to leave to this Court without suggestion of our own.

Conclusion.

In no essential respect does complainant's method of enjoying its "exclusive" rights under its patents differ from other methods of doing the same thing which have been repeatedly approved by the Courts. The nearest approach to such a difference resides in this: complainant has evolved a form of license under which the burden on the licensee is automatically regulated so that only when partaking of the benefits of the patent monopoly, and to the extent that he so partakes, does he pay consideration therefor. This feature of its license plan, of undoubted advantage to the public, involves no essential difference, however, over the older and more commonly employed license plan often involved in cases in this Court.

It cannot be doubted that, having the right (during the patent term) to exclude the public from the use of the patented inventions *in any way*, the complainant may waive that right in such instances as appeal to it and permit the public to use those inventions *in a certain expressly defined way*. This having been done, the moment a licensee, vested with such a restricted right of use, uses his machine in another and different way, to do which he has not been authorized, he invades that portion of the patent monopoly with which the complainant never parted. Unquestionably, such a use, unprotected by the license, involves infringement. In no reported case, so far as we are aware, has any doubt been expressed on the proposition as thus far put. Suit for the (direct) infringement of the patent is the appropriate remedy and to such a suit the license is no defense.

Nor is the case essentially different with respect to the acts of a third person acting in concert with the licensee and with full knowledge of the scope of the license, and who, in effect, procures the infringement as by furnishing the means whereby the same may be committed. Under the authorities, he is a tort feasor against whom suit for the (contributory) infringement of the patent is the appropriate remedy and here, as with respect to direct infringement, the license is no defense.

Clearly, the act of the direct infringer and that of the contributor are essentially the same in their relation to the patents. Each is an invasion of a right vested by the patent grant in the complainant, and with which it never parted. This being true, it seems, we submit, that the question propounded by the Appellate Court for the Second Circuit can be answered only in one way: *i. e.* in the affirmative.

Very respectfully,

FREDERICK P. FISH,

SAMUEL OWEN EDMONDS.

Counsel for Appellee.

New York, October 23, 1911.

NOTE.—The Certificate does not include the opinion of the trial Court. That opinion, however, forms part of the literature of the law, to which, as we understand, this Court is at liberty to refer should it see fit. For convenience, therefore, the opinion is here reproduced from 149 Federal Reporter, p. 424.

A. B. DICK CO. v. HENRY, ET AL.

(CIRCUIT COURT, S. D. NEW YORK, JANUARY 11, 1907.)

1. PATENTS — CONTRIBUTORY INFRINGEMENT — INDUCING PURCHASER TO VIOLATE LICENSE RESTRICTION.

Complainant manufactured a patented duplicating machine known as the "rotary mimeograph," and sold the same subject to a license restriction that it might be used only with paper and ink and other supplies made by complainant. Defendants made a special ink designed for use on such machine and similar ones and with knowledge of such restriction sold the same to the owner of one of complainant's machines for use thereon, advising that it be placed in one of complainant's cans. *Held*, that defendants were chargeable with contributory infringement of the patent.

[Ed. Note.—For cases in point, see Cent. Dig., vol. 38, Patents, § 401.

Contributory infringement of patents, see note to Edison Electric L. Co. v. Peninsular Light, P. & H. Co., 43 C. C. A., 485.]

2. SAME—SUIT FOR INFRINGEMENT—EQUITY JURISDICTION.

The fact that a complainant which made and sold a patented machine subject to a license restriction that it should be used only with ink made by complainant, requested a purchaser of one of its machines to give defendants an opportunity to sell her ink for use thereon does not relieve defendants from the charge of contributory infringement where they made such sale with full knowledge of the license restriction, and for the purpose of inducing and procuring its violation by the purchaser, nor does the fact that complainant suffered no damages preclude it from maintaining a suit in equity to enjoin such infringement.

This is a suit in equity for alleged contributory infringement of United States letters patent Nos. 746,931 and 749,983, issued December 15, 1903, and January 19, 1904, respectively, to complainant as assignee of Albert B. Dick.

Samuel Owen Edmonds (Edmund Wetmore, of counsel), for complainant.

A. Bell Malcomson, for defendants.

RAY, *District Judge:* The patents in suit cover the stencil-duplicating machine known as the "Rotary Mimeograph". In using this duplicating machine it is necessary to use ink of a peculiar make and composition if good results are to be obtained and the machine made a success. This patented machine was

placed on the market in August, 1904. As to this ink the president of the complainant company says:

"The ink used on this type of machine is the result of long and protracted experiments of color-makers and experts employed for this purpose, repeated tests under varying conditions so as to adapt the ink to various climates and so as to have it work in harmony with the stencil-paper without injury. What I mean by this is, that some years ago I discovered an ink being sold for stencil use which contained a large proportion of benzine, and as benzine will dissolve the wax on the stencil-sheets it was ill adapted for the purpose and soon destroyed the stencil and rendered it useless. We made hundreds of experiments, changing the formula each time, and finally rested with an ink which is thoroughly well adapted for the purpose intended. I found in practice that each type of duplicating machine requires an ink having peculiar characteristics in order to get the best results from the machine, and it was an ink of this character which we finally developed and put on the market for use on the rotary mimeograph."

All the machines sold have been parted with under a license restriction plainly and distinctly lettered on a metallic plate and affixed in plain view on each machine. This license agreement reads as follows:

"EDISON ROTARY MIMEOGRAPH, NO. 75
LICENSE RESTRICTION

This machine is sold by the A. B. Dick Co., with the License Restriction that it may be used only with the Stencil Paper, Ink, and other Supplies.

Made by A. B. DICK COMPANY, Chicago, U. S. A."

This notice was also reproduced on the feed board of the machine so that all purchasers and users of the machine who can read are charged with notice of the restriction. Each machine has another plate giving the dates of complainant's patents. It is alleged, and not denied, and the evidence shows that defendants had actual notice of this license agreement and restriction. The evidence establishes that the complainants sell the machines at a loss, less than the actual cost of making, relying on sales of supplies therefor for a profit. The complainants have sold about 11,000 of these machines under

this license restriction. The complainants sell their ink intended for this machine and other supplies at a reasonable price. As to these sales the evidence of complainant says:

"This plan enables us to furnish the purchaser exclusively with the supplies to be used on the machine, thus preventing trouble and annoyance on his part, as with the supplies furnished by the Dick Company he can invariably secure the best results, not only because of their special adaptability but also because of their uniformity. Besides this, they get the benefit of all of our experiments and experiences in the use of the machine, including information as to special uses to which the machine may be put but which might not be apparent at first sight (C. Rec., p. 80). After the possible customer has been satisfied that the machine is well adapted for his purposes, and after he has made an investigation as to the cost of the machine and the cost of the supplies and he is satisfied with same, the sale is made (C. Rec., p. 77, fol. 308)."

In fact there is nothing unreasonable or extortionate in these license agreements and restrictions; the purchasers or licensees of these patented machines can take them, subject to the license restriction, or let them alone. They are not a prime necessary of life required to maintain existence nor are they supplies. They are a convenient and useful thing, and a labor saving machine. It is a special ink made specially for use on these machines. This ink is neither a staple article of commerce nor a public commodity required in the ordinary affairs of life. The same is true of defendant's ink. The evidence shows and I find that defendant's ink is a special ink designed for use on this machine and a similar one known as the Rotary Neostyle, a patented machine sold under and with a like restriction.

The alleged contributory infringement complained of consists in the facts: (1) that one Christina B. Skou was licensee of complainant, she having purchased one of these machines with full knowledge of the restriction; (2) she used same, except in the one instance complained of, within the license agreement using thereon and therewith supplies obtained from complainants; (3) the complainants had reason to suspect and did suspect that defendants were furnishing and selling their ink made for use on such machines to various of the licensees of complainants for the purpose of having such licen-

sees use same on such machines bearing the license restriction and license agreement in violation thereof, defendants, as stated, having full knowledge thereof; (4) the complainants thereupon requested Miss Skou to afford defendants an opportunity to sell her ink of defendants' make for use on such machine; and this she did; (5) being given the opportunity by Miss Skou the defendants did sell to her such ink for such purpose requesting her at the same time to put the same into one of complainant's cans and throw his away. The complainant's did not instruct Miss Skou to lead defendants into selling her ink of their make, or to induce them so to do, but simply to afford them an opportunity. On this subject the evidence is:

"Re-d. Q. 311. Your testimony concerning what I wished you to do with regard to these defendants Henry has been so much garbled by defendants' counsel that I will ask you to state if you were instructed to lead Henry into purchasing these supplies? A. No, sir, not at all. Re-d. Q. 312. Were you instructed by me to procure him to sell you any supplies? A. No, not at all, no. Re-d. Q. 313. Were you instructed by me to do anything more than to afford him an opportunity to sell you his supplies for use on the Rotary Mimeograph if he chose? (Objection.) A. That is all."

The transaction between Miss Skou and Henry was as follows:

"He came in and brought with him a tube of black ink I ordered; the pound of purple ink for the Rotary Mimeograph, and also a part of his box machine, the Lineograph, and he showed me what he thought was superior in that machine to the A. B. Dick Company's Box Mimeograph. After explaining to me about the box machine, he noticed that I had the Rotary Mimeograph in the office and he went over and examined it. Miss Bennem was working at it at the time, turning out duplicate copies from it, and he looked it over and noticed the restrictions on the machine itself, and also the restriction on the feed-board about the purchasing of the materials, and then he said he would rather not sell the purple ink for the Rotary Mimeograph, but he went on to say, 'I will sell it to you, but pour it into the A. B. Dick Company's can; throw my can away, because the A. B. Bick Company has given me quite some trouble in selling these supplies.' Then I took up that purple ink he had in his hand at the time, and looked at the can, and there was a notice on that, 'Not sold for licensed Machines.' I showed this to Mr. Henry, and called his attention to it—no; I again asked him; 'Can I use this ink on my Rotary Mimeograph?' and he looked at it, and said, 'Why, that's nothing; my lawyer told me to put that on.' He left the purple ink for the Rotary Mimeograph and I paid him for that, and I also paid him for the tube of black ink for the box machine."

As this is corroborated, I find the facts as stated, notwithstanding the denial. That defendants sold their ink of a peculiar make for use on such machines, for the purpose of enabling and inducing a licensee of complainants to violate the license restriction agreement by using such ink on this licensed machine in place and stead of the ink sold by complainants and intended for use on the licensed machine, and which the licensee had agreed to use on the machine to the exclusion of all other inks, is established by the evidence and cannot be doubted.

Are defendants guilty of contributory infringement? This is a patent not a trade-mark case. The machine was sold under the recited license agreement and restriction as to which there is no doubt and of such license defendants, as to the particular machine, had full notice at the time the sale of ink was made. The defendants intended to induce and procure a violation thereof, and sold this ink to Miss Skou for that purpose and in order to obtain a market for and use of their ink in place of complainant's ink. It is clearly established that the complainants having a patented duplicating machine which they are introducing into the trade and selling, and which to produce a good result and prove a success must be used with ink of a peculiar make, have sold their machines under this license restriction only. The complainants seek to introduce and build up a market for their machines, and of course desire to have them successful. They manufacture special ink to be used thereon which if used produces good work or results. The complainants look to their sales of ink for profit. They have parted with their machines, and permitted others to have and use them only on condition this special ink shall be used therewith. The defendants have knowingly and willfully made and sold an ink for use thereon, not the same in kind and quality, to one of these licensees for the express purpose of inducing, aiding and abetting her to violate this license agreement or restriction by using the licensed machine in a way she has agreed she will not use it, and in a way she has no right to use it. That such license restrictions are lawful, good, valid, and binding in the case of patented machines and articles has been established by a long line of decisions. Also that one

who knowingly and directly aids, abets, and procures a violation of such license restriction is a contributory infringer of the patent. Heaton—P. B. F. Co. *vs.* Eureka Specialty Co. et al., 77 Fed., 288, 25 C. C. A. 267, 35 L. R. A. 728, 47 U. S. App. 146; cited and approved; Bement *vs.* Harrow Co., 186 U. S., 70, 22 Sup. Ct. 747, 46 L. Ed. 1058; Victor Talking Machine Co. *vs.* The Fair, 123 Fed. R. 424, 61 C. C. A. 58; Cortelyou et al. *vs.* Lowe et al., 111 Fed. 1005, 49 C. C. A. 671; Rubber Tire Wheel Co. *vs.* Milwaukee Rubber Works Co. (C. C.), 142 Fed. 531; Rupp & Wittgenfeld Co. *vs.* Elliott et al., 131 Fed. 730; 65 C. C. A. 544; Cortelyou *vs.* Johnson, (C. C. A.) 145 Fed. 933. While this last case attacks and seeks to limit this doctrine of contributory infringement in patent cases, it expressly affirms the doctrine of the Peninsular case 77, Fed. 288, 25 C. C. A. 267, 35 L. R. A. 728, and the Lowe case, 111 Fed. 1005, 49 C. C. A. 671, and it simply reversed the Court below, on the ground it was not shown by sufficient evidence that defendants had knowledge of the license restriction. See page 936 of 145 Fed.. In this case the evidence is overwhelming that defendants did know of the license agreement when it made the infringing sale, as Henry looked at and read it on the machine for use upon which he sold his ink. He also, as stated, requested a concealment of the fact that he was selling this ink for use on this machine. Ink for ordinary writing and printers ink for printing are sold generally to all who use ink in writing or printing, and may be what Judge Coxe refers to in Cortelyou vs. Johnson, *supra*, as " staple articles of commerce " or public commodities required in the ordinary affairs of life. But the ink made and sold by defendants is neither made nor sold as a staple article of commerce or as a public commodity required in the ordinary affairs of life. It is made and sold for use on the patented machines referred to. True, the defendants put on their cans a notice that same was not to be used on such machines, but that was done under advice, to mislead and deceive, and was a part of the plan to induce and procure a violation of the license restrictions by the licensees of complainants.

In a Court of justice under this evidence, it has and should be

given the same effect we would give a label on the back of a thief, caught in the act, reading, "I am not a thief, I must not and will not steal". Indeed I cannot see, but for the opinion in Cortelyou vs. Johnson, *supra*, that it is material whether or not the ink sold by defendants is a staple article of commerce or a public commodity used in the ordinary affairs of life. If the decisions referred to have any vitality—any solid basis on which to rest—it must be for the reason that the owner of a patent has the right to make and use the patented article or not use it as he pleases: to sell it, or license it, or its use, or to license it for a limited use as he sees fit. If he sells or licenses he may limit or restrict its use in any way he sees fit, however ridiculous such restriction may seem, so long as he violates no law in so doing, or commits no wrong, and imposes no obligation on another, his licensee, to violate a law or commit a wrong. Such is the doctrine of Bement *vs.* Harrow Company, *supra*, enunciated by the Supreme Court of the United States. If this be so such restriction has nothing to do with trade or commerce. If the licensee did not have the machine he would not need the ink or use it. If he takes and uses the machine under the license he wants the ink, and, as the license agreement is valid and binding and, under the authorities, makes him a licensee of the patentee, he is an infringer when he uses any other ink thereon or therewith in operating it. The owner of the patent may be extremely whimsical in imposing the license restriction, but that is of no concern to Courts or to the public if no law is violated or wrong done, and the restriction be plain and understood by those who deal with the machine or its use. If the licensee is an infringer in so doing, then one who knowingly and designedly aids, abets, and incites him in so doing, and knowingly furnishes the means to accomplish the infringement, intending they shall be used for the purpose of infringing, is as much a wrongdoer as the licensee. In the case at bar, any person may purchase, use, make, or sell this ink, or any ink for all other uses and purposes, but not for the purpose of putting the licensed machine to an unlawful use, a use prohibited

by the license. If this is not the law, then there is no such thing in patent law as contributory infringement.

In Walker on Patents, 4th Ed., Sec. 407, the law is thus stated, and I think quite correctly, viz :

"SEC. 407. Contributory infringement is intentional aid or co-operation in transactions, which collectively constitute complete infringement. For example ; where a person furnishes one part of a patented combination, intending that it shall be assembled with the other parts thereof, and that the complete combination shall be used or sold, that person is liable to an action, as infringer of the patent on the complete combination. And where a person furnishes a machine which is useful only for the purpose of making a patented article, intending that it shall be thus used, that person is himself liable for any infringement which is afterward committed in the manufacture of that article with that machine. So, also, a person is chargeable with contributary infringement of a patent on a machine, where he furnishes articles for that machine to operate upon, intending that the machine shall be used by operating on those articles. Furthermore, where a person furnishes a machine, composition of matter or other article, which is particularly adapted to be used in performing a patented process, and which the person furnishing the same intends shall be thus used, that person is liable as a contributory infringer for any infringement which afterward occurs in accordance with his intention. But where the machine or other property thus furnished is useful for some other purpose than to be a part of a patented combination, or to make a patented article, or to be operated upon by a patented machine, or to be used in performing a patented process, and where he who furnishes the property does not intend or know, when furnishing the same, that it is to be thus used, he incurs no liability to an action for infringement. But if he knew or intended that the property furnished by him was to be used in either of the infringing ways, he cannot defeat an action for infringement by showing that the furnished property could have been used in some non-infringing way."

The vice of the transaction is in becoming a party to the infringement by inciting, aiding and abetting it, not in the mere selling of something to a licensee which he may use in infringing the patent by violating the license.

In Imperial Chemical Mfg. Co. vs. Stein, *et al.* (C. C.) 69 Fed. 616, the patents were for a process for dyeing hair, viz :

"(1) Coloring human hair or the hair or fur of animals by treating the said hair or fur first with an ammoniacal solution of nickel,

and then with pyrogallic acid, substantially as hereinbefore described and set forth. (2) The dye bath, consisting of an ammonical solution of nickel and pyrogallic acid, substantially as described."

The Court, Judge TOWNSEND, now of the Circuit Court of Appeals, said:

"The patent states, as an essential element of the patented process, that the liquids used therein shall be successively applied in a given manner. The defendants have sold a hair dye put up in three separate bottles, one containing sulphate or nitrate of nickel, one a solution of pyrogallic acid in water, and one a solution of nitrate of silver. The circular accompanying said bottles shows that defendants apply said dye in the manner specified in the patent, and sell it to others to be so applied. Such sales constitute contributory infringement. Chemical Works *vs.* Hecker, 2 Ban. & A. 351, Fed. Cas. No. 12,133; Boyd *vs.* Cherry (C. C), 50 Fed. 279."

It is common knowledge that such articles are common articles of commerce and sold generally by druggists for many different uses and purposes and that they are used for other purposes than the dyeing of hair. The vice of the transaction in that case was that defendants applied the substance in violation of the patented process and sold same to others to be so applied. But it is insisted that complainants procured the alleged infringement, and cannot be heard to complain, and that they suffered no actual damage. The answer is, first, that the complainants did not procure the infringement. They had the right to have a licensee afford the suspected infringer an opportunity to infringe and allow him to do if he chose, and, second, if infringement is proved, the amount of damage is immaterial. This action is maintainable, if maintainable at all, as one in equity for an injunction because of the infringement, and not because of the amount of damages sustained. As was said by Judge LACOMBE in Chicago P. T. Co. vs. Philadelphia P. T. Co. (C. C.), 118 Fed. R., 852:

"There is no force in the suggestion that the sale was made to a purchaser who bought in the interest of complainants, in order to secure proof of infringement. We are not now dealing with any question of damages, but with the mere fact of sale of a device made in conformity to the patent. The sale of such a device is an act of infringement, although it may be made under such circumstances that complainants cannot recover damages for it."

In Badische Anilin vs. Klipstein (C. C.), 125 Fed., 556, it is said:

"Defendants further contend that the sales were not infringements of which a Court of Equity should take notice, because, being made to its agents, it was as though Badische Anilin had bought the cans; that the dye-stuff was not sold to a person who intended to dye with it; and that sales to a patentee are licensed sales. A similar objection was overruled by this Court, in Chicago Pneumatic Co. vs. Phila. Tool Co. (C. C.), 118 Fed., 852, where it was held that, although a complainant might not be able to recover damages or profits for such a sale, it was nevertheless an infringement, entitling complainant to injunctive relief."

See, also, Lever Bros. *vs.* Pasfield (C. C.), 88 Fed. 485; Samuel Bros. & Co. *vs.* Hostetter Co., 118 Fed. 258, 55 C. C. A. 111; People *vs.* Mills, 178 N. Y., 274, 70 N. E. 786, 67 L. R. A. 131.

Damages for an infringement are recoverable in an action at law and equity will not take cognizance for the purpose of giving damages or awarding an accounting. The accounting is an incident to the injunctive relief and given to avoid the necessity for an action at law. Hence, when the patent has expired, equity will not take hold of the case even where there have been hundreds of infringing acts and thousands of dollars of damage sustained. In such case, as there is no use for an injunction the remedy at law is adequate and complete.

The complainants have made a case by a preponderance of credible evidence. I am satisfied the defendants have intentionally infringed, and are prepared to continue the wrong and intend so to do.

There will be a decree for the complainants.